

*BASE PROSPECTUS*

*Dated: 13 January 2011*

**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)*

**Euro 40,000,000,000**

**Issuance Programme**

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

**by**

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



*Under the Euro 40,000,000,000 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 notes (“**Notes**”), 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 Notes or 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 13 January 2011 (the “**Deed of Guarantee**”). Notes issued under the Programme will have denominations of not less than Euro 1,000.*

***An investment in Notes or Securities issued under the Programme involves certain risks. For a discussion of these risks, see “Risk Factors” beginning on page 32.***

*Application has been made to the Commission de Surveillance du Secteur Financier (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities to approve this document as a base prospectus for each Issuer. Application has also been made for Notes and Securities issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange (the*

*“Official List”) and admitted to trading on the regulated market of the Luxembourg Stock Exchange. References in this Base Prospectus to a “regulated market” shall have the meaning given to them in the Markets in Financial Instruments Directive 2004/39/EC.*

*The Programme provides that Notes or 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 Notes or Securities or Notes 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 Directive 2003/71/EC (the “**Prospectus Directive**”).*

*The CSSF 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 31 of this Base Prospectus. Under the Luxembourg Law on Prospectuses for Securities which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law.*

*Notice of the aggregate nominal amount of Notes or Securities (if applicable), interest (if any) payable in respect of Notes or Securities, the issue price of Notes or Securities and any other terms and conditions not contained herein which are applicable to each Tranche (as defined below) of Notes or Securities will be set out, respectively, in the final terms relating to the Notes (the “**Note Final Terms**”) and the final terms relating to the Securities (the “**Securities Final Terms**” and, together with the Note Final Terms, the “**Final Terms**”) which, with respect to Notes or Securities to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange and, with respect to Notes or Securities to be listed on any other or further Stock Exchange, will be delivered to the relevant Stock Exchange.*

*The Notes and 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 Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. The Notes 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.**

*Dealers*

***BANCA ALETTI & C.***

***BANCA IMI***

***BANCO BILBAO VIZCAYA ARGENTARIA, S.A.***

***BARCLAYS CAPITAL***

***BNP PARIBAS***

***CRÉDIT AGRICOLE CIB***

***DEUTSCHE BANK***

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

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

***SANTANDER GLOBAL BANKING & MARKETS***

***SOCIÉTÉ GÉNÉRALE CORPORATE &  
INVESTMENT BANKING***

***THE ROYAL BANK OF SCOTLAND***

***UBS INVESTMENT BANK***

***UNICREDIT BANK***

## **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, where indicated in the relevant Final Terms, 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, the Guarantor and its subsidiaries taken as a whole (the “**Group**” or the “**Mediobanca Group**”), the Notes, the Securities and the deed of guarantee executed by the Guarantor and dated 13 January 2011 (the “**Deed of Guarantee**”) which is material in the context of the issue and offering of Notes and the Securities, (ii) the statements contained in this Base Prospectus relating to the Issuers, the Guarantor and the 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 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 Group, the Notes, the Securities or the Deed of Guarantee the omission of which would, in the context of the issue and offering of Notes or 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 Notes or 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 Notes or 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.*

*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 Notes or Securities.*

*The distribution of this Base Prospectus and the offering or sale of Notes or 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 Notes or 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. In particular, no action has been taken by the Issuers or the Dealers which would permit a public offering of any Notes or Securities outside Luxembourg or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes or 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, any Notes 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 Notes or Securities. In particular, the Notes and 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 Issuer and the Guarantor for use in connection with the offer and sale of Notes or 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 Notes and 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 Notes or 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 Notes or Securities in the United States, the European Economic Area (including the United Kingdom and Italy) and other jurisdictions, see “Plan of Distribution”.*

*The Dealers 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 Notes or Securities.*

*Each potential purchaser of Notes or Securities should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes or 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 Issuers or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes or Securities of any information coming to the attention of any of the Dealers.*

## **STABILISATION**

*In connection with the issue of any Tranche of Notes or 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 Notes or Securities or effect transactions with a view to supporting the market price of the Notes or 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 Notes or 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 Notes or Securities and 60 days after the date of the allotment of the relevant Tranche of Notes or 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.*

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*Notes or 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 Notes or Securities of each Series being intended to be interchangeable with all other Notes or 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 will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal 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 of Notes” and in “Form of Final Terms of Securities”, as applicable, below.*

*The maximum aggregate principal amount of Notes and Securities outstanding at any one time under the Programme will not exceed Euro 40,000,000,000 (and for this purpose, any Notes or Securities denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement, as defined under “Plan of Distribution”). The maximum aggregate principal amount of Notes and Securities which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.*

*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

This section of the Base Prospectus constitutes a summary (the “**Summary**”) for the purposes of Article 5(2) of the Prospectus Directive.

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

Capitalised terms used elsewhere in this Base Prospectus shall have the same meanings in this Summary. Words and expressions defined in “Forms of the Notes and the Securities”, the “Terms and Conditions of the Notes”, the “Additional Terms for Physical Delivery Notes”, “General Terms for Credit Linked Notes” and the “Terms and Conditions of the Securities” shall have the same meaning in this Summary.

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.

As the date hereof, Mediobanca's issued share capital totals Euro 430,551,480.00, represented by 861,102,960 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 is a *société anonyme* subject to Luxembourg law and having 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 14 Boulevard Roosevelt L-2450 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 Notes and Securities issued by Mediobanca International (Luxembourg) S.A.

Risk Factors relating to the  
Issuers, the Guarantor and the  
Mediobanca Group:

There are certain factors that may affect each Issuer's ability to fulfil its obligations under Notes or Securities issued under the Programme. These include the following risk factors related to the Mediobanca Group, its operations and its industry:

- (i) The Issuer's financial results may be affected by events which are difficult to anticipate.
- (ii) The Issuer's financial results are affected by changes in interest rates.
- (iii) The Issuer's financial results may be affected by market declines and volatility.
- (iv) The Issuer is subject to credit and market risk. Current market conditions are unprecedented.

- (v) Sustained market weakness and volatility may adversely affect the Issuer's investment banking and financial advisory revenues and subject the Issuer to risks of losses from clients and other counterparties.
- (vi) Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.
- (vii) Market volatility and difficult access to debt capital markets can adversely affect the Issuer's liquidity.
- (viii) Intense competition, especially in the Italian market, where the Issuer has the largest concentration of its business, could materially adversely effect the Issuer's revenues and profitability.
- (ix) The Issuer's risk management policies, procedures and methods may nevertheless leave the Issuer exposed to unidentified or unanticipated risks, which could lead to material losses.
- (x) The Issuer is subject to operational risk.
- (xi) Changes in the Italian and European regulatory framework could adversely affect the Issuer's business.

Risk Factors relating to the  
Notes and the Securities:

In addition, there are certain factors which are material for the purpose of assessing the risks related to Notes or Securities issued under the Programme. The Notes or Securities may not be suitable for all investors. A wide range of Notes or Securities may be issued under the Programme. A number of these Notes and Securities may have features which contain particular risks for potential investors. These include the following:

- (i) The Notes and the Securities may not be a suitable investment for all investors.
- (ii) 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%.

- Risk Related to the structure of a particular Issue of Notes
- (i) An optional redemption feature of Notes is likely to limit their market value.
  - (ii) In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction, the Issuer may redeem all outstanding Notes in accordance with the Conditions, unless in the case of any particular Tranche of Notes the relevant Note Final Terms specifies otherwise.
  - (iii) If Regulatory Call is specified in the applicable Final Terms, the Subordinated Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole or in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note), if a proportion equal or more than 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes ceases to qualify as “Lower Tier II Capital”, “Upper Tier II Capital” or “Tier III Capital”, as applicable, on a consolidated or non-consolidated basis, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy or in the applicable legal or regulatory provisions (including legal or regulatory provisions adopted by the European Union).
  - (iv) The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities or the rate of inflation, to movements in currency exchange rates or other factors which determine the amount of principal or interest. Potential investors should be aware that this may result in, *inter alia*, the market price of such Notes being volatile and investors losing all or a substantial portion of their principal in case of non-capital guaranteed Notes.
  - (v) The Issuer may issue Credit Linked Notes, which are securities linked to the performance of a reference entity or reference entities and obligations of the reference entity or reference entities. Investors should note that Credit Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest payable by the Issuer is dependent on whether a “Credit Event” in respect of the reference entity has occurred. In certain circumstances the Notes will cease to bear interest (if they

carried interest in the first place) and the value paid to Noteholders on redemption may be less than their original investment and may in certain circumstances be zero.

- (vi) The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.
- (vii) Notes with variable interest rates can be volatile investments.
- (viii) Inverse Floating Rate Notes (also known as Reverse Floating Rate Notes) have an interest rate equal to a fixed rate minus a rate based upon a reference rate, making the market values of those Notes typically more volatile than market values of other conventional floating rate debt securities.
- (ix) Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate and any conversion, depending on market interest rates, may adversely affect the value of the Fixed/Floating Rate Notes.
- (x) The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.
- (xi) In the case of Subordinated Notes, if Mediobanca is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on any Subordinated Notes.
- (xii) If specified in the Note Final Terms, to the extent that the Issuer is required by law to withhold or deduct any present or future taxes of any kind imposed or levied by or on behalf of the Republic of Italy or the Grand Duchy of Luxembourg, as appropriate, the Issuer will not be under an obligation to pay any additional amounts to Noteholders.

Risk Factors related to the  
Notes generally:

- (i) Unless otherwise provided in the Note Final Terms, the

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

- (ii) Unless otherwise provided in the Note Final Terms, “Euroclear Bank S.A./N.V. (**“Euroclear”**) and/or Clearstream Banking, société anonyme, Luxembourg (**“Clearstream, Luxembourg”**) will maintain records of the beneficial interests in the Global Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.
- iii) The Issuers and the Guarantor may, without the consent of Noteholders, correct (i) any manifest error in the Terms and Conditions of the Notes and/or in the Note Final Terms; (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Notes and/or in the Note Final Terms or (iii) any inconsistency in the Terms and Conditions of the Notes and/or in the Note Final Terms between the Terms and Conditions of the Notes and/or the Note Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Notes (provided such correction is not materially prejudicial to the holders of the relevant Series of Notes).
- iv) Potential conflicts of interest may exist between Dealers, which may underwrite the Notes issued under the Programme and receive in consideration underwriting commissions and selling concessions, or Mediobanca, which may act as market maker or specialist or perform other similar roles in connection with the notes, on the one hand, and Investors in the Notes on the other.
- (v) The Notes may be issued and withheld by the Issuer for the progressive sale on the market in accordance with investors’ demand. In this context an investor who acquires the Notes does not know at the moment of purchase how much of the issued Notes effectively are publicly traded, with the consequence that the amount in circulation could be meagre and may not guarantee successively adequate liquidity in the Notes.
- vi) In the event the Issuer decides to issue further Notes having the same terms and conditions as an already existing Series of Notes (or in all respects except for the Issue Price, the

Issue Date and/or the first payment of interest) and so that the further Notes shall be consolidated and form a single series with the original Notes, the greater nominal amount in circulation could lead to greater liquidity in the secondary market with a consequent negative impact on the price of the relevant Series of the Notes.

Risks related to the structure of a particular Issue of Securities:

An investment in Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities, Commodity Securities Linked, as the case may be, to one or more specified underlying assets or bases of reference such as indices (including, but not limited to, equity, bond, commodity or inflation indices), currency exchange rates, shares, fund shares or units, commodities or the credit of one or more underlying entities or other Securities linked to other assets or bases of reference (any such underlying asset or basis of reference, a “**Reference Item**”), may entail significant risks not associated with investments in conventional securities such as debt or equity securities. Set out below is a description of the most common risks.

- (i) The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks.
- (ii) Purchasers 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.
- (iii) Prospective purchasers of Securities should be experienced with respect to options and other derivative transactions, they 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 in the Base Prospectus and the information regarding the relevant Securities and the particular underlying asset or basis of reference to which the value of the relevant Securities may relate.
- (iv) Fluctuations in the value of the particular Reference Item will affect the value of the Securities.

- (v) 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.
- (vi) Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to their interim value which 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 Securities Final Terms, as well as by a number of other interrelated factors, including those specified herein.
- (vii) Due to fluctuating supply and demand for the Securities, there is no assurance that their value will reflect movements of the Reference Item specified in the applicable Securities Final Terms.
- (viii) Fluctuations in exchange rates of the relevant currency (or basket of currencies) will affect the value of Currency Securities.
- (ix) An investment in Share Securities may bear similar market risks to a direct investment in the relevant share(s) (or basket of shares) and investors should take advice accordingly.
- (x) An investment in Fund Securities may bear similar market risks to a direct investment in the relevant fund(s) (or basket of funds) and investors should take advice accordingly.
- (xii) The yield on Commodity Securities which are linked to commodity futures contracts or commodity indices may not be perfectly correlated to the trend in the price of the underlying commodities, as the use of commodity futures contracts generally involves a rolling mechanism.
- (xiii) The Securities may provide for the application to the relevant Reference Items of a multiplier, in order to

increase or decrease the percentage of each Reference Item used to determine the amounts payable or deliverable to investors.

(xiv) The Securities may provide for the application of a maximum return payable or deliverable to investors or of a maximum value or level to the relevant Reference Item(s).

(xv) The Securities are derivative financial instruments which may include an option right and which, therefore, have many characteristics in common with options.

Risk Factors relating to the Securities generally:

(i) If the applicable Securities Final Terms in respect of any Securities indicates that the Issuer has an option to vary settlement in respect of such Securities, the Issuer may, at its sole and unfettered discretion, elect (1) not to pay to 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) 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.

(iii) In the case of Physical Delivery Securities, if a Settlement Disruption Event occurs or exists on the Settlement Date, its settlement will be postponed until the next Settlement Business Day on which no Settlement Disruption Event occurs. The Issuer in those 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.

(iv) 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.

- (v) Following the exercise of Physical Delivery Warrants or in connection with the exercise of Physical Delivery Certificates, unless otherwise indicated in the applicable Securities 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.
- (vi) 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. 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.
- (vii) holders of 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.
- (i) Notes and Securities may have no established trading market when issued, and one may never develop. The Issuer has not any obligation to purchase the Notes or the Securities from the Noteholders. However, should the Issuer decide to purchase the Notes or the Securities, the secondary market pricing that the Issuer may provide on the Notes and the Securities may reflect the unwinding cost of the hedging portfolio (if any).
- (ii) The Issuer will pay principal and interest on the Notes in the Relevant Currency and on the Securities in the

Risk Factors relating to the market generally:

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 Relevant Currency.

- (iii) Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.
- (iv) One or more independent credit rating agencies may assign credit ratings to the Notes or 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 Notes or the Securities.
- (v) 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.
- (vi) Implicit fees (e.g. placement fees, direction fees, structuring fees) may be a component of the Issue/Offer Price of Notes or Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Notes or Securities in the secondary market.
- (vii) If Notes or Securities are distributed by means of a public offer, under certain circumstances indicated in the relevant Final Terms, the Issuer and/or other entities specified in the Final Terms may have the right to withdraw the offer, which in such circumstances will be deemed to be null and void according to the terms indicated in the relevant Final Terms.
- (viii) It is not possible to predict the price at which Notes and 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 Notes or Securities on a stock exchange or market. The Issuer, or any of its Affiliates may, but is not obliged to, at any time purchase Notes or Securities at any price in the open market or by tender or private treaty. 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.

- (ix) In respect of Notes and Securities which are (in accordance with the applicable Final Terms) to be listed on a stock exchange, market or quotation system, the 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 Issuer may apply to de-list the relevant Notes or 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.

Description:	Issuance Programme.
Size:	Up to Euro 40,000,000,000 (or the equivalent in other currencies at the date of each issue) aggregate principal amount of Notes outstanding at any one time.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes and Securities may be issued in any currency or currencies as the relevant Issuer, the Guarantor (where applicable), and the relevant Dealer so agree.
Denomination:	Notes will be issued in such denominations as may be specified in the relevant Note Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).
Method of Issue:	The Notes and the Securities may be issued on a syndicated or non-syndicated basis. The Notes and 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 Notes and 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 Notes and Securities may be issued as part of an existing Series.

Consolidation of Notes:	Notes of one series may be consolidated with Notes of another Series, all as described in Condition 12 (Further Issues and Consolidation) of the Terms and Conditions of the Notes.
Form of Notes:	<p>The Notes may be issued in bearer form only.</p> <p>If the Notes are represented by one or more Global Notes, the relevant Note Final Terms will specify whether each Global Note is to be issued in New Global Note or in Classic Global Note form. Each Tranche of Notes will initially be represented by a Temporary Global Note or a Permanent Global Note which, in each case, will be deposited on or around the Issue Date: (a) in the case of Notes intended to be issued in Classic Global Note form, with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and (b) in the case of Notes intended to be issued in New Global Note form, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. No interest will be payable in respect of a Temporary Global Note except as described under “Summary of Provisions Relating to the Notes while in Global Form”.</p> <p>Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if so stated in the relevant Note Final Terms for Definitive Notes after the date falling 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. If specified in the relevant Note Final Terms, interests in Permanent Global Notes will be exchangeable for definitive Notes as described under “Summary of Provisions Relating to the Notes while in Global Form”. Definitive Notes will, if interest-bearing, have interest Coupons attached and, if appropriate, a Talon for further Coupons and will, if the principal thereof is repayable by instalments, have payment Receipts attached.</p> <p>If the Notes are issued and held in book-entry form, the Notes will not be represented by paper certificates and the transfer and exchange of Notes 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 “<b>Centralised Custodian</b>”). Accordingly, all Notes 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 Notes with the Centralised Custodian.</p>
Form of Securities:	Unless otherwise provided in the Securities Final Terms, each issue of Securities will on issue be represented by either a Temporary Global Security or a Permanent Global Security as indicated in the applicable Securities 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.

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.

Types of Notes:	<p>The Issuer may issue Notes of any kind, including but not limited to, Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Interest Notes or other Variable-Linked Interest Notes, Credit-Linked Notes, Extendable Notes and Exchangeable Notes.</p> <p>Notes be redeemed by way of cash payment or by physical delivery (“<b>Physical Delivery Notes</b>”) of certain asset(s) specified in the relevant Notes Final Terms.</p>
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Note Final Terms.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest set separately for each Series by reference to the benchmark as may be specified in the relevant Note Final Terms as adjusted for any applicable margin.</p> <p>Interest periods will be specified in the relevant Note Final Terms.</p>
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount or a premium to it and will not bear interest.
Index-Linked Interest Notes or other Variable-Linked Interest Notes:	The Note Final Terms issued in respect of each issue of Index-Linked Interest Notes or other Notes bearing interest linked to a formula or other variable will specify the basis for calculating the amounts of interest payable, which may be by reference to an index or formula or as otherwise provided in the relevant Note Final Terms.
Credit-Linked Notes:	Payments of principal and/or interest (if any) in respect of Credit-Linked Notes, 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 Notes 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 Note Final Terms.

Issues of Credit-Linked Notes may include: Single Name Credit-Linked Notes (where Noteholders take the credit risk of a single named Reference Entity), Basket Credit-Linked Notes (where Noteholders take the credit risk in respect of two or more Reference Entities in a basket of Reference Entities), First-to-Default Credit-Linked Notes (where Noteholders take the credit risk of the first to default among a basket of Reference Entities) and N<sup>th</sup>-to-Default Credit-Linked Notes (where Noteholders take the credit risk of the N<sup>th</sup> to default among a basket of Reference Entities). Other types of Credit-Linked Notes may be issued as set out in the relevant Note Final Terms. See “General Terms for Credit-Linked Notes” in this Base Prospectus for the terms and conditions applicable to Credit-Linked Notes issued under the Programme. The specific terms and conditions applicable to a particular issue of Credit-Linked Notes will be set out in the relevant Note Final Terms.

Extendable Notes:	The Note Final Terms will set out the manner in which the holders of Extendable Notes or the Issuer may exercise their option to extend the Maturity Period of such Notes.
Exchangeable Notes:	The Note Final Terms will set out the Terms applicable to the Notes in respect to, inter alia, underlying asset, conversion ratio and Redemption Amount.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes, variable rate Notes, inverse floating rate Notes and any other type of Notes which the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Note Final Terms.
Physical Delivery Notes:	In order to receive the relevant asset(s), a Noteholder must deliver an Asset Transfer Notice on or prior to a specified cut-off time and pay all taxes, duties and/or expenses arising from delivery of the relevant assets. For certain types of Notes, if certain disruption events occur on settlement, the relevant settlement date may be postponed and in certain circumstances the Issuer will be entitled

to make payment of a cash amount in lieu of physical delivery.

The Additional Terms for Physical Delivery Notes should not apply in respect of the Credit Linked Notes (in respect of which physical settlement shall be governed by paragraph 5 of the General Terms for Credit Linked Notes).

The Guarantee provides that, in the case of Physical Delivery Notes, 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 Note Final Terms.

Interest Periods and Interest Rates for the Notes:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Note Final Terms.

Type of Securities:

The Issuer may issue Securities of any kind, including but not limited to Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities and Commodities Securities.

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

Warrants may be European Style Warrants, American Style Warrants or such other style specified in the applicable Securities Final Terms.

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 Security Final Terms.

Index Securities:

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

Share Securities:

The Cash Settlement Amount in respect of Cash Settled Share Securities will be calculated by reference to a single share or basket of shares.

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.

Currency Securities:

The Cash Settlement Amount in respect of Cash Settled Currency

Securities will be calculated by reference to a single currency or basket of currencies.

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.

Debt Securities:

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.

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.

Commodity Securities:

The Cash Settlement Amount in respect of Cash Settled Commodity Securities will be calculated by reference to a single commodity or basket of commodities.

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.

Fund Securities:

The Cash Settlement Amount in respect of Cash Settled Fund Securities will be calculated by reference to units or shares in a single fund or basket of funds.

The Entitlement in respect of Physical Delivery Fund Securities will be a specified amount of fund shares or units, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Other Securities:

Securities relating to other underlying instruments, baskets or bases of reference may be issued on such terms as may be determined by the Issuer and specified in the applicable Securities Final Terms.

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 Securities 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 Securities 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.

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.

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 Issuer shall determine and pay the Assessed Value Payment Amount.

Status of the Notes:

Notes may be issued by Mediobanca on a subordinated or unsubordinated basis, as specified in the relevant Note Final

Terms. Notes issued by Mediobanca International may only be issued on an unsubordinated basis. (i) Status of the Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and 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 relevant Issuer, save for certain mandatory exceptions of applicable law. See Condition 2(b) (Status of Senior Notes) of the Terms and Conditions of the Notes.

(ii) Status of the Subordinated Notes:

Subordinated Notes (Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes and Tier III Subordinated Notes, as the case may be) constitute direct, unsecured and subordinated obligations of Mediobanca, all as described in Condition 3 (Status and Special Provisions of Subordinated Notes) of the Terms and Conditions of the Notes and the relevant Final Terms.

In the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, Liquidazione Coatta Amministrativa) of Mediobanca, the payment obligations of Mediobanca under each Series of Subordinated Notes, and the relative Coupons as the case may be, will rank in right of payment (A) after unsubordinated creditors (including depositors and any holder of Senior Notes and their respective Coupons) of Mediobanca but (B) at least *pari passu* with all other subordinated obligations of Mediobanca which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of Mediobanca. Lower Tier II Subordinated Notes and Tier III Subordinated Notes rank *pari passu* amongst themselves and rank senior to Upper Tier II Subordinated Notes, all as described in Condition 3 (Status and Special Provisions of Subordinated Notes) of the Terms and Conditions of the Notes.

Status of the Securities:

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

time to time outstanding.

Guarantee:	Under the Deed of Guarantee, 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 Notes and 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 Notes or Securities, but in lieu thereof to pay a cash amount. See also Condition 2(c) ( <i>Status of Guarantee</i> ) of the Terms and Conditions of the Notes and Condition 2(b) ( <i>Status of the Guarantee</i> ) 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 <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. See also Condition 2(c) ( <i>Status of Guarantee</i> ) of the Terms and Conditions of the Notes and Condition 2(b) ( <i>Status of the Guarantee</i> ) of the Terms and Conditions of the Securities.
Loss Absorption on Upper Tier II Subordinated Notes:	To the extent that Mediobanca at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with Italian laws and regulations, would require it to reduce its paid up share capital and reserves to below its Minimum Capital, the obligations of Mediobanca in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Mediobanca, in accordance with the requirements of Italian legal and regulatory provisions, to maintain at least its Minimum Capital. The obligations of Mediobanca in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances. See Condition 3 ( <i>Status and Special Provisions of Subordinated Notes</i> ) of the Terms and Conditions of the Notes.
Deferral of Interest on Upper Tier II Subordinated Notes:	Mediobanca will not be required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if: (A) no annual dividend has been approved, paid or set aside for payment by a shareholders' meeting of Mediobanca or paid in respect of any class of shares during the 12-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date; or (B) the Management Board of

Mediobanca has announced, at the time of publication of any interim accounts published during the six-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date that, based on such interim accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code. The obligations of Mediobanca in respect of interest due under the Upper Tier II Subordinated Notes which are so deferred will be subject to reinstatement in certain circumstances. See Condition 3 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes.

Tier III Subordinated Notes: Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes are subject to (i) a different minimum Maturity Period as specified in the relevant Note Final Terms and (ii) a lock-in clause pursuant to which payments of interest or repayment of principal shall be suspended during the period in which such payments or repayments would reduce the total amount of the assets (*ammontare complessivo dei fondi patrimoniali*) of Mediobanca below the aggregate of the capital requirements (*complesso dei requisiti patrimoniali*) of Mediobanca, as provided under the Bank of Italy Regulations. Interest shall not accrue on any repayments of principal or payments of interest suspended as described above. See Condition 3 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes.

Cross Default for the Notes: The Senior Notes will contain a cross default in respect of indebtedness for borrowed money of the relevant Issuer and, where applicable, the Guarantor, as more fully set out in Condition 9(a) (*Events of Default of Senior Notes*) of the Terms and Conditions of the Notes.

Optional Redemption for the Notes: The Note Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed before their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption and subject to all relevant legal and regulatory requirements.

If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives, and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by Mediobanca, the Optional Redemption Date shall not be earlier than (i) in the case of Upper Tier II Subordinated Notes, ten years

after the Issue Date, (ii) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date and (iii) in the case of Tier III Subordinated Notes, two years after the Issue Date, subject to the Bank of Italy prior authorisation when required.

In addition, if Regulatory Call is specified in the applicable Final Terms, the Subordinated Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole or in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note), if a proportion equal or more than 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes ceases to qualify as “Lower Tier II Capital”, “Upper Tier II Capital” or “Tier III Capital”, as applicable, on a consolidated or non consolidated basis, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy or in the applicable legal or regulatory provisions (including legal or regulatory provisions adopted by the European Union).

Tax Redemption for the Notes: With respect to Notes, the relevant Note Final Terms will specify whether early redemption will be permitted for tax reasons as described in Condition 5(c) (*Redemption for taxation reasons*) of the Terms and Conditions of the Notes.

Taxation in respect of the Notes: All payments in respect of Notes, Receipts and Coupons by the Issuer or (as the case may be) the Guarantor under the Deed of Guarantee will be made without withholding or deduction for, or on account of, any taxes imposed by the Grand Duchy of Luxembourg or the Republic of Italy, as the case may be, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (save as provided in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes) pay such additional amounts as will result in the holders of Notes, Receipts or Coupons receiving such amounts as they would have received in respect to Notes, Receipts or Coupons had no such withholding or deduction been required.

However, as more fully set out in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes, neither the Issuer nor (as the case may be) the Guarantor will be liable to pay any additional amounts to holders of Notes, Receipts or Coupons in relation to any payment on any Note, Receipt or Coupon with respect to any withholding or deduction for or on account of, inter alia, (i) substitute tax (*imposta sostitutiva*) pursuant to Italian Legislative Decree No. 239 of 1st April 1996; (ii) withholding tax on Notes

issued by Mediobanca with an original maturity of less than 18 months, pursuant to Italian Presidential Decree 29 September 1973, No. 600; and (iii) withholding tax on Notes qualifying as atypical securities (*titoli atipici*) for Italian tax purposes, pursuant to Italian Law Decree 30 September 1983, No. 512.

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.

Rating:

The rating of the Notes or the Securities, if any, to be issued under the Programme will be specified in the applicable Note Final Terms or the Securities Final Terms, as the case may be.

Whether or not each credit rating applied for in relation to a Series of Notes or Securities will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the “**CRA Regulation**”) will be disclosed in the applicable Notes Final Terms or Securities Final Terms, as the case may be. 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:

Unless otherwise provided in the relevant Final Terms as being applicable, the Notes and the Securities, all related contractual documentation and any contractual or non-contractual obligations arising from or connected with the Notes or the Securities, as the case may be, (or such related contractual documentation) will be governed by, and construed in accordance with, English law, except for certain provisions relating to Subordinated Notes, which will be governed by Italian law, as more fully set out in Condition 15(a) (*Governing Law*) of the Terms and Conditions of the Notes.

Listing and Admission to Trading:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes and Securities issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List.

Notes and 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. Notes and Securities which are neither listed nor admitted to trading on any market may also be issued.

The CSSF 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 Notes or Securities (if applicable), interest (if any) payable in respect of Notes or Securities, the issue price of Notes or Securities and any other terms and conditions not contained herein which are applicable to each Tranche of Notes or Securities will be set out in the relevant Final Terms which, with respect to Notes or Securities to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange.

The applicable Final Terms will state whether or not the relevant Notes or 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”.

In connection with the offering and sale of a particular Tranche of Notes or Securities, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

## RISK FACTORS

*The Issuers and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under Notes and Securities 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 Notes and 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 Notes and 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 Notes and Securities 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.*

*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.*

*Words and expressions defined in “Form of Final Terms of Notes”, “Form of Final Terms of Securities”, “General Terms for Credit-Linked Notes”, “Terms and Conditions of the Notes” and “Terms and Conditions of Securities” 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 Notes issued under the Programme.**

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

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 Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

***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 Issuer's financial condition or results of operations.



***The Issuer's financial results may be affected by market declines and volatility***

The results of the Issuer are 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 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 Issuer's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

***The Issuer is 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 Issuer uses to hedge or otherwise manage its exposure to credit or capital markets risk are not effective, the Issuer may not be able to mitigate effectively the Issuer's risk exposures in particular market environments or against particular types of risk. 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. The Issuer's financial results also depend upon how effectively the 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 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 Issuer to risks of losses from clients and other counterparties***

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 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 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 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 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 Issuer's clients to fulfil their credit obligations. During market downturns, the Issuer's counterparties in securities transactions may be less likely to complete transactions. Also, the Issuer often permit its clients to purchase securities on margin or, in other words, to borrow a portion of the purchase price from the 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 purchasers indebtedness. If the clients are unable to provide additional collateral for these loans, the Issuer may lose money on

these margin transactions. In addition, particularly during market downturns, the 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 Issuer's businesses, 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 Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the 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 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 Issuer did not anticipate or that were higher than those anticipated. This in turn could adversely affect the Issuer's results of operations and financial condition.

***Market volatility and difficult access to debt capital markets can adversely affect the 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 Issuer's liquidity can be adversely affected. In particular, in the absence of a developed retail network, the Issuer's funding strategy relies primarily on medium and long-term debt capital market issues offered to the public in Italy through a network of third party financial intermediaries on the basis of distribution arrangements agreed upon on a case by case basis or placed with foreign investors by way of public offerings or private placements. As a consequence, the volatility of the debt capital markets in Italy and abroad may impair the 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 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 effect the 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 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.

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

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 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 Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues and profits may be negatively affected.

***The Issuer is subject to operational risk***

The Issuer, 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. The Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer's financial performance and business activities.

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

The Issuer is 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 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 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 the European Union that will affect the Mediobanca Group. In particular:

- EU Directive 2009/111/EC (CRD II), due to be implemented by 31 December 2010 - pending the transposition of CRD II into Italian law, there is still significant uncertainty around the interpretation and the implementation of the New Basel Directive and any transposing Italian law as it relates to the Mediobanca Group.
- EU Capital Accord (Basel II) on Requirements Directive III (CRD III) (currently subject to consultation, with implementation of the rules expected to occur by 31 December 2011) will introduce a number of changes in response to the recent and current market conditions, which may:
  - increase 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;
  - limit investments in re-securitisations and impose higher capital requirements for resecuritisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
  - improve disclosure standards.
- In December 2009, the Basel Committee on Banking Supervision proposed strengthening the global capital framework by, among other things:

- raising the quality of the Core Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base);
- strengthening the risk coverage of the capital framework;
- promoting the build up of capital buffers; and
- introducing a global minimum liquidity standard for the banking sector (no changes are expected to be implemented until after 2012).

Such proposals have since been largely taken up by the European Commission in its public consultation document on further possible changes to the Capital Requirements Directive IV (CRD IV).

- In July and August 2010, the Basel Committee on Banking Supervision issued for consultation two proposals regarding, respectively, (i) a countercyclical capital buffer regime and (ii) loss absorption of all regulatory capital instruments in the event that the issuing bank reaches the point of non-viability.

Significant uncertainty remains around the final requirements and implementation of these proposed initiatives.

Such changes in the regulatory framework and how they are implemented may have a material effect on the Mediobanca Group's business and operations. As the new framework of banking laws and regulations affecting Mediobanca Group is currently being implemented, the manner in which those laws and related regulations will be 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.

## **2) Risks relating to the Notes and the Securities**

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

Additional risk factors highlighting the specific risk factors which may arise from the particular structure of Notes or Securities to be issued (which relate to or supplement risk factors already described in a general way in this Base Prospectus) may be included in the applicable Final Terms.

### ***The Notes and the Securities may not be a suitable investment for all investors***

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

- (i) in the case of structured Notes (plain vanilla Notes together with one or more embedded derivative instrument) or Securities proceed with investment only after fully appreciating the risks inherent in the nature of the Notes or Securities;
- (ii) have sufficient knowledge and experience to make a meaningful evaluation of the Notes or the Securities, the merits and risks of investing in the Notes or 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 Notes or the Securities and the impact the Notes or the Securities will have on its overall investment portfolio;
- (iv) understand thoroughly the terms of the Notes or 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 Notes or the Securities, including Notes or 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 Notes or 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, Commodity Securities or other Securities linked to other Reference Items, 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 Notes or Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes or the Securities will perform under changing conditions, the resulting effects on the value of the Notes or the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

### ***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 rates rising over time to 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.

### ***Risks related to the structure of a particular Issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Examples of some of the most common features are described below (but are not intended to be an exhaustive description).

#### *Notes subject to optional redemption by the Issuer*

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

At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

#### *Redemption for tax reasons*

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer (i) would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Luxembourg or Italy (as appropriate) or any political subdivision thereof or any authority therein or thereof having power to tax or (ii) would become subject to more than a *de minimis* additional amount of taxes due to limitation to the deductibility of payments under any Notes (provided that, with respect to Mediobanca, any additional amount of national income taxes arising from a limitation of the deductibility of interest payments exceeding the 4% percentage set forth, as at the date of this Base Prospectus, in Article 96, paragraph 5-bis of the Italian Presidential Decree No. 917 of 22 December 1986, would be considered as exceeding the aforesaid *de minimis* additional amount), the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

#### *Regulatory Call*

If Regulatory Call is specified in the applicable Final Terms, the Subordinated Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole or in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency

Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note), if a proportion equal or more than 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes ceases to qualify as “Lower Tier II Capital”, “Upper Tier II Capital” or “Tier III Capital”, as applicable, on a consolidated or non consolidate basis, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy or in the applicable legal or regulatory provisions (including legal or regulatory provisions adopted by the European Union).

#### *Index-Linked, Credit-Linked and other Variable-Linked Interest Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to “a Reference Item”. In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) they may lose all or a substantial portion of their principal in case of non-capital guaranteed Notes;
- (iv) the Reference Items may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other securities or indices;
- (v) if a Reference Item is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on principal or interest payable likely will be magnified; and
- (vi) 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.

The historical performances of an underlying index should not be viewed as an indication of the future performance of such underlying index during the term of any Index-Linked, Credit-Linked and other Variable-Linked Interest Notes and Dual Currency Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risks entailed by an investment in any Index-Linked, Credit-Linked and other Variable-Linked Interest Notes and Dual Currency Notes and the suitability of such Notes in light of its particular circumstances.

In recent years, value and performances of underlying indices have been volatile and prospective investors should be aware that volatility may continue in the future.

#### *Credit Linked Notes*

The Issuer may issue Credit-Linked Notes, which are securities whose performance is linked to the performance of one or more Reference Entities and the obligations of such Reference Entity/ies. Investors should note that Credit-Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest payable by the Issuer is dependent on whether a Credit Event has occurred in respect of the relevant Reference Entity/ies. In certain circumstances the Notes will cease to bear interest and the value paid to Noteholders on redemption 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 Notes 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 Notes will be exposed to the credit risk of the Reference Entity. Prospective purchasers of the Notes should conduct their own investigations and, in deciding whether or not to purchase the Notes, should form their own views of the merits of an investment related to the Notes based upon such investigations. In particular, each investor contemplating purchasing any Notes 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 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 Notes may acquire, confidential information with respect to the Reference Entity and is not required to disclose this information to the Noteholder or any other party.

Holders of Credit-Linked Notes will have a contractual relationship only with the Issuer and not with any obligor in respect of any Reference Obligation or any Reference Entity. Consequently, the Credit-Linked Notes 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 Notes will have rights solely against the Issuer and will have no recourse against the obligor in respect of any Reference Obligation or any Reference Entity. The Noteholders will not have any rights to acquire from the Issuer (or to require the Issuer) to transfer, assign or otherwise dispose of any interest in any Reference Obligation or any Reference Entity.

The Credit-Linked Notes 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 Notes 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 Notes 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 Notes.

The terms and conditions of Credit Linked Notes 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 Notes and the Credit Derivatives Definitions. Consequently, investing in the Credit Linked Notes 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 Notes may differ in the future because of future market standards. Such a result may have a negative impact on the Credit Linked Notes. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to amend the Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the Credit Linked Notes 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 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 Notes (including the quantum and timing of payments and/or deliveries on redemption). For the avoidance of doubt, neither the Issuer nor the Calculation Agent accept any liability to any person for any determinations, redemption, calculations and/or delay or suspension of payments and/or redemption of Credit Linked Notes resulting from or relating to announcements, publications, determinations and resolutions made by ISDA and/or any Credit Derivatives Determinations 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 Notes, each Noteholder 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 Noteholders, 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, Noteholders.

If Auction Settlement is applicable in respect of any Credit Linked Note, then the amounts payable by and/or rights and obligations of the parties under such Credit Linked Note in respect of the relevant Reference Entity or Reference Obligation, will be determined in accordance with the Auction Final Price. The Noteholder 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 Noteholders when so acting.

Please refer to the “*Definitions*” section at the end of the section headed “*General Terms for Credit-Linked Notes*” for defined terms used above.

#### *Partly-paid Notes*

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

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes (also known as Reverse Floating Rate Notes) 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 Notes 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 Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

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

#### *Notes issued at a substantial discount or premium*

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

#### *Subordinated Notes*

If Mediobanca is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, Mediobanca may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. In addition, the payment obligations of Mediobanca under Upper Tier II Subordinated Notes rank behind Lower Tier II Subordinated Notes and Tier III Subordinated Notes.

The payment obligations arising under Subordinated Notes are subject to additional limitations. Firstly, the claims of the holders of Upper Tier II Subordinated Notes in relation to payments of principal and interest will be reduced to the extent necessary to enable Mediobanca to maintain its capital at certain minimum levels required by the Bank of Italy. Secondly, Mediobanca may defer interest payments on such Notes in certain circumstances where annual or interim dividends are not declared. In the case of Tier III Subordinated Notes, payment of interest and principal is subject to suspension where such payments would otherwise reduce Mediobanca's assets below certain minimum levels required by the Bank of Italy.

Any reduction or deferral of payments of principal and interest is likely to have an adverse effect on the market price of Subordinated Notes. In addition, as a result of the payment reduction and deferral provisions described above, the market price of Subordinated Notes may be more volatile than the market prices of debt securities which are not subject to such provisions and may be more sensitive generally to adverse changes in the financial condition of Mediobanca and the Mediobanca Group.

For a full description of the provisions relating to Subordinated Notes, see Condition 3 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes.

In addition the Subordinated Notes expose investors to higher risks compared with certain other investments such as government bonds. Investors should therefore be aware that a comparison between the yield offered by the Subordinated Notes and those offered by other securities may not be meaningful or appropriate.

#### *No gross up on withholding tax*

To the extent that the Issuer is required by law to withhold or deduct any present or future taxes of any kind imposed or levied by or on behalf of the Republic of Italy or the Grand Duchy of Luxembourg (as appropriate), the Issuer may not be under an obligation to pay any additional amounts to Noteholders or Securityholders.

#### *Risks related to Notes generally*

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

### *Change of law*

Unless otherwise provided in the Note Final Terms, The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus except for Conditions 3 (*Status and Special Provisions of Subordinated Notes*), 5(g) (*Redemption and purchase of Subordinated Notes*) and 9(b) (*Events of Default of Subordinated Notes*), which are governed by, and shall be construed in accordance with, Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (when applicable), or administrative practice after the date of this Base Prospectus.

### *Procedures of clearing systems*

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

### *Modification*

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

The Terms and Conditions of the Notes also provide that the Issuer and the Guarantor may, without the consent of Noteholders, correct (i) any manifest error in the Terms and Conditions of the Notes and/or in the Note Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Notes and/or in the Note Final Terms or (iii) any inconsistency in the Terms and Conditions of the Notes and/or in the Note Final Terms between the Terms and Conditions of the Notes and/or the Note Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Notes (provided such correction is not materially prejudicial to the holders of the relevant Series of Notes). Any such correction shall be binding on the holders of the relevant Notes and the Issuer and the Guarantor (if applicable) shall cause such correction to be notified to the holders of the Notes as soon as practicable thereafter pursuant to Condition 13 (Notices).

### *Conflict of Interest*

Investors should note that Notes issued under the Program may be underwritten by Dealers who receive in consideration underwriting commissions and selling concessions. The relevant Issuer may also offer and sell Notes 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 Notes or Securities: potential conflicts of interest may exist between Mediobanca acting in such capacity on the one hand, and investors in the Notes on the other.

*Impossibility to know the amount of the Notes in circulation on the date of issue*

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

*Issue of subsequent tranche*

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

*Physical Delivery Notes*

In order to receive the Entitlement in respect of a Physical Delivery Note, the holder of such Note must (i) duly deliver to the Clearing System and/or Paying Agents, as specified in the Note Final Terms, a duly completed Asset Transfer Notice on or prior to the relevant time on the Cut-Off Date and (ii) pay the relevant Expenses. As used in the Terms and Conditions, "Expenses" includes any applicable depositary charges, transaction or exercise charges, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes arising from the redemption, exercise and settlement (as applicable) of such Securities and/or the delivery of the Entitlement.

In the case of Physical Delivery Notes (other than Credit Linked Notes), if a Settlement Disruption Event occurs or exists on the Maturity Delivery Date (in the case of Notes), settlement will be postponed until the next date on which no Settlement Disruption Event occurs. The relevant Issuer in these circumstances has the right to pay the Disruption Cash Settlement Price in lieu of delivering the Entitlement. Such a determination may have an adverse effect on the value of the relevant Securities. In addition, if "Failure to Deliver due to Illiquidity" is specified as applying in the applicable Note Final Terms, and in the opinion of the Calculation Agent it is impossible or impracticable to deliver some or all of the Relevant Assets comprising the Entitlement when due as a result of illiquidity in the market for the Relevant Assets, the relevant Issuer has the right to pay the Failure to Deliver Settlement Price in lieu of delivering those Relevant Assets. Any Disrupted Cash Settlement Price or Failure to Deliver Settlement Price may be significantly less than Holders expected to receive prior to such Settlement Disruption Event or Calculation Agent determination.

In relation to Physical Delivery Notes, 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 Note Final Terms. Such cash payment will constitute a complete discharge of the Guarantor's obligations in relation to such Physical Delivery Notes.

If so indicated in the applicable Note Final Terms, the relevant Issuer has an option to vary settlement in respect of the Notes. If exercised by the relevant Issuer, Physical Delivery Notes may be cash settled or cash settled Notes may be physically settled. Exercise of such option may affect the value of the Notes.

### ***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.

#### ***General risks and risks relating to underlying asset or basis of reference***

The Securities involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Purchasers 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 purchasers of Securities 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), commodity (or basket of commodities) or other asset or basis of reference to which the value of the relevant Securities may relate, as specified in the applicable Securities Final Terms.

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). 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.

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, a purchaser of a Security 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), commodity (or basket of commodities) or other asset or basis of reference which may be specified in the applicable Securities Final Terms. 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 purchasers of such Security 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.

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 value of the relevant commodity or basket of commodities will affect the value of Commodity Securities. Purchasers of Securities risk losing their entire investment if the value of the relevant underlying basis of reference does not move in the anticipated direction.

The Issuer may issue several issues of Securities relating to various reference indices (including the rate of inflation), debt instruments (including credit linked notes), shares, funds, currencies, commodities or other assets or bases of reference as may be specified in the applicable Securities Final Terms. However, no assurance can be given that the Issuer will issue any Securities other than the Securities to which particular Securities 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 Securities Final Terms.

#### *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), commodity (or basket of commodities) or other asset or basis of reference as specified in the applicable Securities 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 Securities 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 Securities 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 Securities Final Terms, and (viii) any related transaction costs.

#### *Certain Considerations Regarding Hedging*

Prospective purchasers 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) or other asset or basis of reference which may be specified in the applicable Securities Final Terms, 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 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 which may be specified in the applicable Securities Final Terms. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements 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 which may be specified in the applicable Securities Final Terms. 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 index or basket.

In the case of Securities relating to a share (or basket of shares), the Issuer and/or any of its respective Affiliates or agents may from time to time hedge the Issuer's obligations under such Securities (and under other instruments and OTC contracts issued by or entered into from time to time by the Issuer and/or any of its respective Affiliates or agents relating to such securities) by taking positions, directly or indirectly, in such share (or basket of shares). Although the Issuer has no reason to believe that such hedging activities will have a material impact on the price of any share, there can be no assurance that such hedging activities will not adversely affect the value of the Securities.

#### *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).

#### *Certain Considerations relating to Index Securities*

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.

*Exposure to Index Modification, Index Cancellation, Index Disruption and correction of Index levels*

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 Calculation Agent may (subject to the terms and conditions of the relevant Securities) also amend the relevant Index level due to corrections in the level reported by the Index sponsor. The consequences of such amendments could adversely affect the market value of the Index Securities.

*There are additional risks in relation to “Proprietary Indices”*

In addition, the proprietary index will generally be developed, owned, calculated and maintained by an index sponsor, which may be the Issuer or the Guarantor, which would be responsible for the composition, calculation and maintenance of such index. In such circumstances, the index sponsor would be under no obligation to take into account the interests of the Holders of any Securities referenced by such index. In such capacity, the index sponsor will have the authority to make determinations that could materially and adversely affect the value of the Security.

*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.

*Certain Considerations Associated with Securities Relating to Shares (or Baskets of Shares)*

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 Securities Final Terms or in establishing the terms of the Securities and neither the 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 Securities 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 Securities 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.

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.

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.

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 Linked 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 Linked 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.

#### *Certain Additional Risk Factors Associated with Currency Securities*

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). Purchasers of Securities 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)".

#### *General risks relating to Debt Securities*

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 securities.

#### *Certain Considerations Associated with Commodity Securities that are linked to commodity futures contracts or commodity indices*

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 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:

- (i) 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”.
- (ii) 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.

*Certain Considerations Associated with Securities Relating to Funds (or Baskets of Funds)*

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

If certain events specified in the Securities 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 purchasers of the Fund Securities are not entitled to acquire interests in the funds directly. Holders of units or shares 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 Securities 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.

#### *Certain Considerations Associated with Securities providing for the application of a multiplier*

The Securities may provide for the application to the relevant Reference Items of a multiplier, in order to increase or decrease the percentage of each Reference Item used to determine the amounts payable or deliverable to investors. The Multiplier 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.

#### *Certain Considerations Associated with 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 or of a maximum value or level to the relevant Reference Item(s) 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.

#### *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.

#### ***Risks Related to Securities Generally***

##### *Option to Vary Settlement*



If the applicable Securities Final Terms in respect of any Securities indicates that the Issuer has an option to vary settlement in respect of such Securities, the 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.

#### *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 Fiscal Agent and the Issuer may, without the consent of Securityholders, agree to (i) any modification (subject to certain specific exceptions) of the Securities or the Amended and Restated Agency Agreement which is not prejudicial to the interests of the Securityholders or (ii) any modification of the Securities or the Amended and Restated Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or proven error or to comply with mandatory provisions of law.

#### *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.

#### *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.

#### *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 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.

### *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.

### *Illegality and Cancellation*

If the Issuer determines that its performance under any Securities has, or that any arrangements made to hedge the Issuer's obligations under any Securities have become, illegal in whole or in part for any reason, the 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 Securities Final Terms). If the Issuer cancels the Securities, it will (in the case of an illegality, 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 Securities Final Terms, each Unit, as set out in the Terms and Conditions of the Securities, notwithstanding such illegality less the cost to the 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.

### *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.

### *Procedures of clearing systems*

Securities issued under the Programme may be represented by one or more Global Securities. Such Global Securities will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Security, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg 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 Clearstream, Luxembourg. While the Securities are represented by one or more Global Securities the Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg 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 Clearstream, Luxembourg to appoint appropriate proxies.

### *Potential Conflicts of Interest*



The 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 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 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 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.

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

#### *Impossibility to know the amount of the Notes in circulation on the date of issue*

The Securities may be issued and withheld by the 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.

#### *Issue of subsequent tranche*

In the event the Issuer decides to issue further Securities having the same terms and conditions as already existing Securities 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.

#### *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 (as the case may be), with a copy to the 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 Securities Final Terms, the relevant Warrant's becoming void or (ii) in the case of a Warrant where Automatic Exercise is specified in the applicable Securities 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 Securities 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 Securities 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 Securities Final Terms, the relevant Issuer has an option to vary settlement in respect of the Securities. If exercised by the 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.

### ***Risks related to Warrants only***

#### ***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 Securities 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 Securities 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 Securities 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 Securities Final Terms. Unless otherwise specified in the applicable Securities 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.

#### ***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 Notes or Securities:

##### *The secondary market generally*

Notes and 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 Notes or 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 Notes and 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 Notes and 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 Notes and Securities.

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

##### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest, if any, on the Notes in the Relevant Currency and amounts in relation to 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 Relevant Currency or the Settlement Currency, as the case may be. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Relevant Currency or the Settlement Currency, as the case may be, or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Relevant Currency or the Settlement Currency, as the case may be, would decrease (i) the Investor's Currency-equivalent yield on the Notes or the Securities, as the case may be, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and the Securities, as the case may be, and (iii) the Investor's Currency equivalent market value of the Notes and the Securities, as the case may be. 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.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Credit ratings may not reflect all risks*

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

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

#### *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 Notes or Securities, but such fees will not be taken into account for the purposes of determining the price of the relevant Notes or 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 Notes or Securities are sold on the secondary market immediately following the offer period relating to such Notes or Securities, the implicit fees included in the Issue/Offer Price on initial subscription for such Notes or Securities will be deducted from the price at which such Notes or Securities may be sold in the secondary market.

*Certain considerations associated with public offers of Notes and Securities*

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

*Possible Illiquidity of the Notes and Securities in the Secondary Market*

It is not possible to predict the price at which Notes or 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 Notes and Securities on a stock exchange or market. If the Notes or Securities are not listed or admitted to trading on any exchange or market, pricing information for the Notes or Securities may be more difficult to obtain and the liquidity of the Notes or the Securities may be adversely affected. If the Issuer does list or admit to trading an issue of Notes or Securities, there can be no assurance that at a later date, the Notes or 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 Issuer will use its reasonable efforts to list or admit to trading the Notes or 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 Notes or Securities at any price in the open market or by tender or private treaty. Any Notes or 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 Notes or Securities. Even if the Issuer or such other entity is a market-maker for an issue of Notes or Securities, the secondary market for such Notes or 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 Notes or the Securities in the secondary market, this may, in certain circumstances, affect the price of the Notes or the Securities in the secondary market.

In addition, all or part of the Notes or the Securities issued under this Programme may be subscribed upon issuance by the Issuer itself or by its Affiliate(s) for resales thereafter on the basis of investors' demand. Accordingly, investors subscribing for Notes and/or Securities upon their

issuance should be aware that there may not be a viable secondary market for the relevant Notes and/or Securities immediately. Even if a market does develop subsequently, it may not be very liquid.

#### *Listing of Notes and Securities*

In respect of Notes or Securities which are (in accordance with the applicable Final Terms) to be listed on a stock exchange, market or quotation system, the 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 Issuer may apply to de-list the relevant Notes or 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 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 2010, 2009 and 2008 of Mediobanca;
- the audited non-consolidated annual financial statements as at and for the years ended 30 June 2010, 2009 and 2008 of Mediobanca International;
- the unaudited consolidated financial statements as at and for the three months ended 30 September 2010, 2009 and 2008 of Mediobanca; and
- the Mediobanca Registration Document (as defined on page 269),

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 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 Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)), on the Mediobanca's website ([www.mediobanca.it](http://www.mediobanca.it)) and on the Mediobanca International's website ([www.mediobancaint.lu](http://www.mediobancaint.lu)).

The following table shows where the information required under Annex XI of Commission Regulation (EC) No. 809/2004 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.

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

III	Risk factors	Pages 7 to 9
VII	Future trends	Page 24
VIII	Forecasts or estimates of profits	Page 25

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

**Mediobanca - Consolidated annual financial statements**

<b>Commission Regulation (EC) No. 809/2004, Annex XI,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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**Paragraph 11.1**

<b>Balance sheet</b>	<b>Pages 62 - 63</b>	<b>Pages 62 - 63</b>	Pages 56-57
<b>Statement of income</b>	<b>Pages 64 - 65</b>	<b>Page 64</b>	Page 58
<b>Statement of changes in equity</b>	<b>Page 66 - 67</b>	<b>Page 65 - 67</b>	Pages 59- 60
<b>Cashflow statement</b>	<b>Page 68 - 69</b>	<b>Page 68 - 69</b>	Pages 62 - 63
<b>Accounting policies and explanatory notes</b>	<b>Pages 71 - 229</b>	<b>Pages 71 - 218</b>	Pages 65 - 208
<b>Auditors'reports</b>	<b>Page 59</b>	<b>Page 59</b>	Page 53

**Mediobanca - Consolidated three-monthly financial statements**

<b>Commission Regulation (EC) No. 809/2004, Annex XI,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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**Paragraph 11.5**

<b>Balance sheet</b>	<b>Pages 41 - 42</b>	<b>Pages 39 - 40</b>	Pages 39-40
<b>Statement of income</b>	<b>Page 43</b>	<b>Page 41</b>	Page 41
<b>Accounting policies and explanatory notes</b>	<b>Pages 27 - 39</b>	<b>Pages 27 - 38</b>	Pages 27 - 38

**Mediobanca International - Non-Consolidated annual financial statements**

<b>Commission Regulation (EC) No. 809/2004, Annex XI,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
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***Paragraph 11.1***

<b>Balance sheet</b>	<b>Page 12</b>	<b>Page 3</b>	<b>Page 3</b>
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Statement of income	Page 13	Page 4	Page 4
Cashflow statement	Page 16	Page 6	Page 6
Statement of changes in equity	Pages 14 – 15	Page 5	Page 5
Accounting policies and explanatory notes	Pages 18 – 112	Pages 7 – 80	Pages 7 – 56
Auditors' reports	Pages 9 – 10	Pages 1 – 2	Pages 1 - 2

## SUPPLEMENTS AND FURTHER PROSPECTUSES

The Issuers will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuers 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 Notes and 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 Notes and 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 Notes or Securities in a form not contemplated in the sections of this Base Prospectus entitled “Form of Note Final Terms” and “Form of Securities Final Terms”. To the extent that the information relating to that Tranche of Notes or 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 Notes or 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 Notes or Securities and, if necessary, a summary note. In the case of a Tranche of Notes or 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 NOTES AND OF THE SECURITIES

### Form of the Notes

#### *(A) Temporary or Permanent Global Note*

Unless otherwise provided in the relevant Final Terms, each Tranche of Notes will initially be in the form of either a temporary global note (a “**Temporary Global Note**”), without Coupons, or a permanent global note (a “**Permanent Global Note**”), without Coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in a new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the Issue Date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled (including denomination in euro and listing on an EU regulated market or on an ECB-approved non-regulated market). At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and the debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used (and if the above-mentioned other criteria are fulfilled).

The relevant Final Terms will also 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 Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

#### *Temporary Global Note exchangeable for Permanent Global Note*

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note without Coupons or Receipts (as defined herein), interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons, not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or

(in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership, *provided, however*, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) 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 (b) any of the circumstances described in Condition 9 (*Events of Default*) of the Terms and Conditions of the Notes occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of Euro 50,000, plus (ii) integral multiples of Euro 1,000, *provided that* such denominations are not less than Euro 50,000 nor more than Euro 99,000 or (iii) a minimum denomination of Euro 100,000, plus (iv) integral multiples of Euro 1,000, *provided that* such denominations are not less than Euro 100,000 nor more than Euro 199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds an aggregate principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Talons and Receipts attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer

of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

*Temporary Global Note exchangeable for Definitive Notes*

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons or Receipts, interests in which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Where the Temporary Global Note is to be exchanged for Definitive Notes, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Talons and Receipts (as defined herein) attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

*Permanent Global Note exchangeable for Definitive Notes*

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note, without Coupons or Receipts, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) 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 (b) any of the circumstances described in Condition 9 (*Events of Default*) of the Terms and Conditions of the Notes occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of Euro 50,000, plus (ii) integral multiples of Euro 1,000, *provided that* such denominations are not less than Euro 50,000 nor more than Euro 99,000 or (iii) a minimum denomination of Euro 100,000, plus (iv) integral multiples of Euro 1,000, *provided that* such denominations are not less than Euro 100,000 nor more than Euro 199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds an aggregate principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Talons and Receipts attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange. Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 13 (*Notices*) of the Terms and Conditions of the Notes.

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

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions relating to the Notes while in Global Form” below.

#### *Legend concerning United States persons*

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in such legend provide that a United States person who holds a Note, Coupon, Talon or Receipt will generally not be allowed to deduct any loss realised on the sale, exchange or

redemption of such Note, Coupon, Talon or Receipt and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

*(B) Book-entry form*

If the relevant Final Terms specifies the form of the Notes as being “Book-entry form”, then the Notes will not be represented by paper certificates and the transfer and exchange of Notes 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 Notes shall be deposited by their owners with an intermediary participant in the relevant Centralised Custodian. The intermediary will in turn deposit the Notes with the Centralised Custodian.

To transfer an interest in the Notes, 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 Notes 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 Notes to the account of the transferee’s intermediary, which will then register the Notes 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 Noteholder to obtain physical delivery of Notes certificates representing the Notes.

**Form of the Securities**

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 Securities Final Terms which, in either case, will be deposited with a common depositary Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system

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 Securities 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) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or
- (ii) the 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 supplements the Terms and Conditions of the Securities and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions of the Securities, be deemed to be incorporated into and thereby supplement, replace or modify the Terms and Conditions of the Securities for the purposes 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 Noteholder to obtain physical delivery of Securities certificates representing the Securities.



## GENERAL DESCRIPTION OF THE EURO 40,000,000,000 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 the Notes” and in “Terms and Conditions of the Securities”) of Notes and Securities, the applicable Final Terms. Subject as provided in the Terms and Conditions of the Notes or in the Terms and Conditions of the Securities as applicable, any of the following (including, without limitation, the type of Notes and Securities which may be issued pursuant to the Programme) may be varied or supplemented as agreed between the Issuer, the relevant Dealer(s) and the Fiscal Agent (if applicable). Words and expressions defined in “Form of the Notes and of the Securities”, “General Terms for the Credit-Linked Notes”, “Terms and Conditions of the Notes” and “Terms and Conditions of the Securities” 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 430,551,480.00, represented by 861,102,960 registered shares of nominal value Euro 0.50.

The Management Board 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 14 Boulevard Roosevelt L-2450 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 Notes and Securities issued by Mediobanca International (Luxembourg) S.A.
Description:	Issuance Programme.
Arranger:	Mediobanca Banca di Credito Finanziario S.p.A.
Dealers:	Banca Aletti & C. S.p.A.; Banca IMI S.p.A.; Barclays Bank PLC; Banco Bilbao Vizcaya Argentaria, S.A.; Banco Santander, S.A.; BNP PARIBAS; Crédit Agricole Corporate and Investment Bank; Deutsche Bank AG, London Branch; MEDIOBANCA - Banca di Credito Finanziario S.p.A.; Mediobanca International (Luxembourg) S.A.; Société Générale; The Royal Bank of Scotland plc; UniCredit Bank AG; and UBS Limited.
	Each of the Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of a single Tranche or in respect of the whole Programme.
Fiscal Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Size:	Up to Euro 40,000,000,000 (or the equivalent in other currencies at the date of each issue) aggregate principal amount

of Notes and Securities outstanding at any one time.

Currencies:

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

Maturities/Final Redemption for the Notes:

Any maturity subject to compliance with all relevant laws, regulations and directives. Unless previously redeemed, purchased and cancelled as provided in accordance with Condition 5(f) (*Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes or 5(h) (*Redemption at the option of holders of Notes*) of the Terms and Conditions of the Notes or unless its maturity is extended pursuant to an option of the Issuer or holders of Notes and subject to Condition 5(g) (*Redemption and purchase of Subordinated Notes*) of the Terms and Conditions of the Notes, each Note will be redeemed at its Final Redemption Amount on the Maturity Date.

Any Notes in respect of which the issue proceeds are received by the relevant Issuer in the United Kingdom and which have a maturity of less than one year from the date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer.

Under applicable laws and regulations at the date of this Base Prospectus: (i) Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with a fixed Maturity Period of ten years or longer (*altri strumenti rimborsabili*); (ii) Lower Tier II Subordinated Notes shall have a minimum Maturity Period of five years; and (iii) Tier III Subordinated Notes shall have a minimum Maturity Period of two years, in each case as provided under the Bank of Italy Regulations. Where Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period, Lower Tier II Subordinated Notes may be redeemable only after five years' prior notice to Noteholders subject to Bank of Italy prior authorisation and Tier III Subordinated Notes may be

redeemable only after two years' prior notice to Noteholders subject to Bank of Italy prior authorisation, when required.

Denomination:

Notes will be issued in such denominations as may be specified in the relevant Note Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).

Method of Issue:

The Notes and the Securities may be issued on a syndicated or non-syndicated basis. The Notes and 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 Notes and 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 Notes and Securities may be issued as part of an existing Series.

Consolidation of Notes:

Notes of one series may be consolidated with Notes of another Series, all as described in Condition 12 (*Further Issues and Consolidation*) of the Terms and Conditions of the Notes.

Final Terms or Drawdown Prospectus:

Notes and 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 Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus. The Terms and Conditions applicable to any particular Tranche of Securities are the Terms and Conditions of the Securities as supplemented, amended and/or replaced by the relevant Final Terms or, as the case may be, the relevant Drawdown Prospectus.

References in this General Description of the Euro 40,000,000,000 Issuance Programme to the "Final Terms" shall, where applicable, be read as references to the Drawdown Prospectus relating to the Notes or the Securities, as the case may be.

Form of Notes:

The Notes may be issued in bearer form only.

If the Notes are represented by one or more Global Notes, the relevant Note Final Terms will specify whether each Global Note is to be issued in New Global Note or in Classic Global Note form. Each Tranche of Notes will initially be represented by a Temporary Global Note or a Permanent Global Note which, in each case, will be deposited on or around the Issue Date: (a) in the case of Notes intended to be issued in Classic Global Note form, with a common depository on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and (b) in the case of Notes intended to be issued in New Global Note form, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. No interest will be payable in respect of a Temporary Global Note except as described under “Summary of Provisions Relating to the Notes while in Global Form”.

Interests in Temporary Global Notes will be exchangeable for interests in Permanent Global Notes or, if so stated in the relevant Note Final Terms for Definitive Notes after the date falling 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. If specified in the relevant Note Final Terms, interests in Permanent Global Notes will be exchangeable for definitive Notes as described under “Summary of Provisions Relating to the Notes while in Global Form”. Definitive Notes will, if interest-bearing, have interest Coupons attached and, if appropriate, a Talon for further Coupons and will, if the principal thereof is repayable by instalments, have payment Receipts attached.

If the Notes are issued and held in book-entry form, the Notes will not be represented by paper certificates and the transfer and exchange of Notes 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 Notes 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 Notes with the Centralised Custodian.

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

Form of Securities:

Unless otherwise provided in the Notes 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 Securities 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.

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.

Issue Price of the Notes:

Issue Price will be specified in the relevant Final Terms. Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly-paid Notes may also be issued, the Issue Price of which will be payable in two or more instalments.

Type of Notes:

The Issuer may issue Notes of any kind, including but not limited to, Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index-Linked Interest Notes or other Variable-Linked Interest Notes, Credit-Linked Notes, Extendable Notes and Exchangeable Notes.

Notes be redeemed by way of cash payment or by physical delivery (“**Physical Delivery Notes**”) of certain asset(s) specified in the relevant Notes Final Terms.

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Note Final Terms.

Floating Rate Notes:

Floating Rate Notes will bear interest set separately for each Series by reference to the benchmark as may be specified in the relevant Note Final Terms as adjusted for any applicable margin.

	Interest periods will be specified in the relevant Note Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount or a premium to it and will not bear interest.
Index-Linked Interest Notes or other Variable-Linked Interest Notes:	The Note Final Terms issued in respect of each issue of Index-Linked Interest Notes or other Notes bearing interest linked to a formula or other variable will specify the basis for calculating the amounts of interest payable, which may be by reference to an index or formula or as otherwise provided in the relevant Note Final Terms.
Credit-Linked Notes:	<p>Payments of principal and/or interest (if any) in respect of Credit-Linked Notes, 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 Notes 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 Note Final Terms.</p> <p>Drawdowns of this product include: Single Name Credit-Linked Notes (where Noteholders take the credit risk of a single named Reference Entity), Basket Credit-Linked Notes (where Noteholders take the credit risk in respect of two or more Reference Entities in a basket of Reference Entities), First-to-Default Credit-Linked Notes (where Noteholders take the credit risk of the first to default among a basket of Reference Entities) and N<sup>th</sup>-to-Default Credit-Linked Notes (where Noteholders take the credit risk of the N<sup>th</sup> to default among a basket of Reference Entities). Other types of Credit-Linked Notes may be issued as set out in the relevant Note Final Terms. See “General Terms for Credit-Linked Notes” in this Base Prospectus for the terms and conditions applicable to Credit-Linked Notes issued under the Programme. The specific terms and conditions applicable to a particular issue of Credit-Linked Notes will be set out in the relevant Note Final Terms.</p>
Extendable Notes:	The relevant Note Final Terms will set out the manner in which the holders of Extendable Notes or the Issuer may exercise their option to extend the Maturity Period of such Notes.
Exchangeable Notes:	The Note Final Terms will set out the Terms applicable to the Notes in respect to, inter alia, underlying asset, conversion ratio and Redemption Amount.

Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes, variable rate Notes, inverse floating rate Notes and any other type of Notes which the relevant Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Note Final Terms.
Physical Delivery Notes:	<p>In order to receive the relevant asset(s), a Noteholder must deliver an Asset Transfer Notice on or prior to a specified cut-off time and pay all taxes, duties and/or expenses arising from delivery of the relevant assets. For certain types of Notes, if certain disruption events occur on settlement, the relevant settlement date may be postponed and in certain circumstances the Issuer will be entitled to make payment of a cash amount in lieu of physical delivery.</p> <p>The Additional Terms for Physical Delivery Notes should not apply in respect of the Credit Linked Notes (in respect of which physical settlement shall be governed by paragraph 5 of the General Terms for Credit Linked Notes).</p> <p>The Guarantee provides that, in the case of Physical Delivery Notes, 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 Note Final Terms.</p>
Interest Periods and Interest Rates for the Notes:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption Amount for the Notes:	Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms, including a Redemption Amount calculated by reference to an index, formula or other variable. The Final Terms issued in respect of each issue of Notes subject to a variable redemption amount will specify the basis for calculating the redemption amounts payable, which may be by reference to an index, formula or other variable.
Redemption by Instalments for the Notes:	The Final Terms issued in respect of each issue of Notes which are redeemable in two or more instalments will set out the date on which, and the amounts in which, such Notes may be



redeemed.

Type of Securities:	<p>The Issuer may issue Securities of any kind, including but not limited to Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities and Commodities Securities.</p> <p>Certificates may bear remuneration, if so specified in the applicable Securities Final Terms.</p> <p>Warrants may be European Style Warrants, American Style Warrants or such other style specified in the applicable Securities Final Terms.</p>
Settlement of the Securities:	<p>Settlement will be by way of cash payment (“<b>Cash Settled</b>”) or physical delivery (“<b>Physical Delivery</b>”).</p> <p>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 Security Final Terms.</p>
Index Securities:	<p>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.</p>
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</p>

instrument or basket of debt instruments.

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.

Commodity Securities:

The Cash Settlement Amount in respect of Cash Settled Commodity Securities will be calculated by reference to a single commodity or basket of commodities.

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.

Fund Securities:

The Cash Settlement Amount in respect of Cash Settled Fund Securities will be calculated by reference to units or shares in a single fund or basket of funds.

The Entitlement in respect of Physical Delivery Fund Securities will be a specified amount of fund shares or units, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.

Other Securities:

Securities relating to other underlying instruments, baskets or bases of reference may be issued on such terms as may be determined by the Issuer and specified in the applicable Final Terms.

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.

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.

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 Issuer shall determine and pay the Assessed Value Payment Amount.

Status of the Notes:

Notes may be issued by Mediobanca on a subordinated or unsubordinated basis, as specified in the relevant Final Terms. Notes issued by Mediobanca International may only be issued on an unsubordinated basis.

(i) Status of the Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and 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 relevant Issuer, save

for certain mandatory exceptions of applicable law. See Condition 2(b) (Status of Senior Notes) of the Terms and Conditions of the Notes.

(ii) Status of the Subordinated Notes:

Subordinated Notes (Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes and Tier III Subordinated Notes, as the case may be) constitute direct, unsecured and subordinated obligations of Mediobanca, all as described in Condition 3 (Status and Special Provisions of Subordinated Notes) of the Terms and Conditions of the Notes and the relevant Final Terms.

In the event of a winding up, dissolution, liquidation or bankruptcy (including, inter alia, Liquidazione Coatta Amministrativa) of Mediobanca, the payment obligations of Mediobanca under each Series of Subordinated Notes, and the relative Coupons as the case may be, will rank in right of payment (A) after unsubordinated creditors (including depositors and any holder of Senior Notes and their respective Coupons) of Mediobanca but (B) at least pari passu with all other subordinated obligations of Mediobanca which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of Mediobanca. Lower Tier II Subordinated Notes and Tier III Subordinated Notes rank pari passu amongst themselves and rank senior to Upper Tier II Subordinated Notes, all as described in Condition 3 (Status and Special Provisions of Subordinated Notes) of the Terms and Conditions of the Notes.

Status of the Securities:

Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the 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 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 Notes and 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 Notes or Securities, but in lieu thereof to pay a cash amount. See also Condition 2(c) (*Status of Guarantee*) of the Terms and Conditions of the Notes and 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(c) (*Status of Guarantee*) of the Terms and Conditions of the Notes and 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 Notes and the Securities (in each case as specified in the applicable Final Terms) and 110 per cent. of the interest on such Notes and 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, including any Tranche of index-, commodity-, credit or currency-linked Notes or Securities.

#### Loss Absorption on Upper Tier II Subordinated Notes:

To the extent that Mediobanca at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with Italian laws and regulations, would require it to reduce its paid up share capital and reserves to below its Minimum Capital, the obligations of Mediobanca in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Mediobanca, in accordance with the requirements of Italian legal and regulatory provisions, to

maintain at least its Minimum Capital. The obligations of Mediobanca in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances. See Condition 3 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes.

Deferral of Interest on Upper Tier II Subordinated Notes:

Mediobanca will not be required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if: (A) no annual dividend has been approved, paid or set aside for payment by a shareholders' meeting of Mediobanca or paid in respect of any class of shares during the 12-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date; or (B) the Management Board of Mediobanca has announced, at the time of publication of any interim accounts published during the six-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date that, based on such interim accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends, in accordance with Article 2433-*bis* of the Italian Civil Code. The obligations of Mediobanca in respect of interest due under the Upper Tier II Subordinated Notes which are so deferred will be subject to reinstatement in certain circumstances. See Condition 3 (*Status and Special Provisions relating to Subordinated Notes*) of the Terms and Conditions of the Notes.

Tier III Subordinated Notes:

Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes are subject to (i) a different minimum Maturity Period as specified in the relevant Note Final Terms and (ii) a lock-in clause pursuant to which payments of interest or repayment of principal shall be suspended during the period in which such payments or repayments would reduce the total amount of the assets (*ammontare complessivo dei fondi patrimoniali*) of Mediobanca below the aggregate of the capital requirements (*complesso dei requisiti patrimoniali*) of Mediobanca, as provided under the Bank of Italy Regulations. Interest shall not accrue on any repayments of principal or payments of interest suspended as described above. See Condition 3 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes.

Cross Default for the Notes:	<p>The Senior Notes will contain a cross default in respect of indebtedness for borrowed money of the relevant Issuer and, where applicable, the Guarantor, as more fully set out in Condition 9(a) (<i>Events of Default of Senior Notes</i>) of the Terms and Conditions of the Notes.</p>
Optional Redemption for the Notes:	<p>The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed before their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption and subject to all relevant legal and regulatory requirements .</p> <p>If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives, and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by Mediobanca, the Optional Redemption Date shall not be earlier than (i) in the case of Upper Tier II Subordinated Notes, ten years after the Issue Date, (ii) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date and (iii) in the case of Tier III Subordinated Notes, two years after the Issue Date, subject to the Bank of Italy prior authorisation when required.</p> <p>If Regulatory Call is specified in the applicable Note Final Terms, the Subordinated Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole or in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note), if a proportion equal or more than 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes ceases to qualify as “Lower Tier II Capital”, “Upper Tier II Capital” or “Tier III Capital”, as applicable, on a consolidated or non consolidate basis, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy or in the applicable legal or regulatory provisions (including legal or regulatory provisions adopted by the European Union).</p>
Tax Redemption for the Notes:	<p>With respect to Notes, the relevant Note Final Terms will specify whether early redemption will be permitted for tax reasons as described in Condition 5(c) (<i>Redemption for taxation reasons</i>) of the Terms and Conditions of the Notes.</p>

Taxation in respect of the Notes: All payments in respect of Notes, Receipts and Coupons by the Issuer or (as the case may be) the Guarantor under the Deed of Guarantee will be made without withholding or deduction for, or on account of, any taxes imposed by the Grand Duchy of Luxembourg or the Republic of Italy, as the case may be, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (save as provided in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes pay such additional amounts as will result in the holders of Notes, Receipts or Coupons receiving such amounts as they would have received in respect to Notes, Receipts or Coupons had no such withholding or deduction been required.

However, as more fully set out in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes, neither the Issuer nor (as the case may be) the Guarantor will be liable to pay any additional amounts to holders of Notes, Receipts or Coupons in relation to any payment on any Note, Receipt or Coupon with respect to any withholding or deduction for or on account of, inter alia, (i) substitute tax (*imposta sostitutiva*) pursuant to Italian Legislative Decree No. 239 of 1st April 1996; (ii) withholding tax on Notes issued by Mediobanca with an original maturity of less than 18 months, pursuant to Italian Presidential Decree 29 September 1973, No. 600; and (iii) withholding tax on Notes qualifying as atypical securities (*titoli atipici*) for Italian tax purposes, pursuant to Italian Law Decree 30 September 1983, No. 512.

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.

Rating: The rating of the Notes or the Securities, if any, to be issued under the Programme will be specified in the applicable Note Final Terms or Securities Final Terms, as the case may be.

Whether or not each credit rating applied for in relation to a Series of Notes or Securities will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the “**CRA Regulation**”) will be disclosed in the applicable Notes Final Terms or Securities Final Terms, as the case may be. 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:**

Unless otherwise provided in the relevant Final Terms as being applicable, the Notes and the Securities and all related contractual documentation and any contractual or non-contractual obligations arising from or connected with the Notes and the Securities (or such related contractual documentation) will be governed by, and construed in accordance with, English law, except for certain provisions relating to Subordinated Notes, which will be governed by Italian law, as more fully set out in Condition 15(a) (*Governing Law*) of the Terms and Conditions of the Notes.

**Listing and Admission to Trading:**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes and Securities issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List.

Notes and 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. Notes and Securities which are neither listed nor admitted to trading on any market may also be issued.

The CSSF 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 Notes or Securities (if applicable), interest (if any) payable in respect of Notes or Securities, the issue price of Notes or Securities and any other terms and conditions not contained herein which are applicable to each Tranche of Notes or Securities will be set out in the relevant Final Terms which, with respect to Notes or Securities to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange.

The applicable Final Terms will state whether or not the relevant Notes or 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”.

In connection with the offering and sale of a particular Tranche of Notes or Securities, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in final form issued under the Programme. The terms and conditions applicable to any Notes in global form will differ from those terms and conditions which would apply to the Notes whilst in final form to the extent described under “Summary of Provisions relating to the Notes while in Global Form” below.*

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 up to Euro 40,000,000,000 in aggregate principal amount of notes (the “**Notes**”) and the issue 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 Notes and Securities issued by Mediobanca International.

The Notes are issued pursuant to an amended and restated Issue and Paying Agency Agreement dated 13 January 2011, as amended or supplemented from time to time, (the “**Issue and Paying Agency Agreement**”) between the Issuers and the Guarantor, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent (the “**Fiscal Agent**”) and principal paying agent (together with the Fiscal Agent and any additional or other paying agents in respect of the Notes from time to time appointed, the “**Paying Agent**”) and with the benefit of deeds of covenant dated 13 January 2011 (each, a “**Deed of Covenant**” and, together, the “**Deeds of Covenant**”), each of them executed by the relevant Issuer in respect of Notes issued by such Issuer. The Guarantor has, for the benefit of the holders of Notes issued by Mediobanca International from time to time, executed and delivered a deed of guarantee (the “**Deed of Guarantee**”) dated 13 January 2011 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 by Mediobanca International under the Notes and the Deed of Covenant as and when the same shall become due and payable (the “**Guarantee of the Notes**”). The holders of the Notes (as defined below), the holders of the interest coupons (the “**Coupons**”) appertaining to interest bearing Notes and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) and the holders of the instalment receipts (the “**Receipts**”) appertaining to the payment of principal by instalments are deemed to have notice of all of the provisions of the Issue and Paying Agency Agreement applicable to them.

Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of final terms (the “**Note Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Note Final Terms. In the event of any inconsistency between these Conditions and the relevant Note Final Terms, the relevant Note Final Terms shall prevail. All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Note Final Terms. Copies of the relevant Note 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 Note Final Terms issued in respect of each issue of Notes will specify whether the Issuer is Mediobanca or Mediobanca International. In these Conditions, 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.

## 1. **FORM, DENOMINATION AND TITLE**

The Notes are issued in bearer form in the Denomination(s) and in the Relevant Currency shown in the Note Final Terms.

Notes are issued with Coupons (and where appropriate, a Talon) attached save in the case of Notes which do not bear interest in which case references to interest (other than in relation to interest due after the date specified in the Note Final Terms as the Maturity Date (as designed below), Coupons and Talons in these Conditions are not applicable. Any Note the principal amount of which is redeemable in instalments is issued with one or more Receipts attached.

Title to the Note and the Receipts, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Receipt, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Receipt, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

In these Conditions, “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Note, Receipt, Coupon or Talon. All capitalised terms which are not defined in these Conditions will have the meanings given to them in the relevant Note Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes. Those definitions will be endorsed on the definitive Notes.

## 2. **STATUS OF SENIOR NOTES AND GUARANTEE**

### (a) *Application*

This Condition 2 (*Status of Senior Notes and Guarantee*) is applicable only to Notes specified in the Note Final Terms as being unsubordinated (“**Senior Notes**”) and Condition 2(c) (*Status of Guarantee*) is applicable only to Senior Notes issued by Mediobanca International.

### (b) *Status of Senior Notes*

The Senior Notes will constitute direct unconditional, unsubordinated and unsecured obligations of the Issuer and 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 Issuer, save for certain mandatory exceptions of applicable law.

(c) *Status of Guarantee*

The Guarantee of the Notes 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 Notes 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 Note means an amount calculated pursuant to the terms of, or as specified in, the applicable Note Final Terms or, if not specified in the applicable Note Final Terms, an amount equal to the fair market value of the Entitlement in respect of such Note on any date notified as such by the Guarantor to the Issuer and the Calculation Agent, less the cost to the 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 Notes.

3. **STATUS AND SPECIAL PROVISIONS OF SUBORDINATED NOTES**

(a) Application: This Condition 3 (*Status and Special Provisions of Subordinated Notes*) is applicable only to Notes which are:

- (i) issued by Mediobanca; and
- (ii) specified as being Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes in the relevant Note Final Terms (together, “**Subordinated Notes**”).

(b) *Definitions*: In these Conditions, the following expressions have the meanings set out below.

“**Bank of Italy**” means the Bank of Italy and/or any competent authority which at a future date carries out the functions which the Bank of Italy performs as at the Issue Date.

“**Bank of Italy Regulations**” means the *Nuove disposizioni di vigilanza prudenziale per le banche* as in force from time to time or such successor regulations as may be in force from time to time.

“**Consolidated Banking Law**” means Italian Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time.

“**Liquidazione Coatta Amministrativa**” means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Consolidated Banking Law.

**“Lower Tier II Subordinated Notes”** means *passività subordinate*, as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Note Final Terms as being Lower Tier II Subordinated Notes).

**“Minimum Capital”** means the minimum amount of capital of Mediobanca, as provided for by the Bank of Italy from time to time for the purposes of obtaining or maintaining the authorisation of the Bank of Italy to carry on banking activities (*livello minimo di capitale previsto per l'autorizzazione all'attività bancaria*), as determined by the external auditors of Mediobanca and certified in writing by two directors of Mediobanca.

**“Tier III Subordinated Notes”** means *prestiti subordinati di 3° livello*, as defined in Title I, Chapter 2, Section II, paragraph 1.5 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Note Final Terms as being Tier III Subordinated Notes).

**“Upper Tier II Subordinated Notes”** means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Note Final Terms as being Upper Tier II Subordinated Notes).

- (c) *Status of Subordinated Notes*: Subordinated Notes and any related Coupons constitute direct, unsecured and subordinated obligations of Mediobanca and, subject to the provisions of this Condition 3 (*Status and Special Provisions of Subordinated Notes*), will at all times rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by Mediobanca in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (d) *Winding up, etc.*: In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of Mediobanca, the payment obligations of Mediobanca under each Series of Subordinated Notes, and the relative Coupons as the case may be, will rank in right of payment (A) after unsubordinated creditors (including depositors and any holder of Senior Notes and their respective Coupons) of Mediobanca but (B) at least *pari passu* with all other subordinated obligations of Mediobanca which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Note and (C) in priority to the claims of shareholders of Mediobanca. Lower Tier II Subordinated Notes and Tier III Subordinated Notes rank *pari passu* amongst themselves and rank senior to Upper Tier II Subordinated Notes.
- (e) *Waiver*: Each holder of a Subordinated Note is deemed unconditionally and irrevocably to have waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.
- (f) *Loss absorption in respect of Upper Tier II Subordinated Notes*: To the extent that Mediobanca at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with Italian laws and regulations, would require it to reduce its paid up share capital and reserves to below its Minimum Capital, the obligations of Mediobanca in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable it, in accordance with the requirements under Italian

law and regulatory provisions, to maintain at least its Minimum Capital. The obligations of Mediobanca in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the Maturity Date of the relevant obligation has occurred:

- (iii) in whole, in the event of bankruptcy, dissolution, liquidation or winding-up of Mediobanca (including, *inter alia*, *Liquidazione Coatta Amministrativa*, *amministrazione straordinaria* or *liquidazione volontaria* or any other similar liquidation, bankruptcy or winding-up proceedings otherwise in accordance with any applicable Italian laws and regulations) and, with effect immediately prior to the commencement of such bankruptcy, dissolution, liquidation or winding up as if such obligations of Mediobanca had not been so reduced in accordance with this Condition 3(f) (*Loss absorption in respect of Upper Tier II Subordinated Notes*); and
- (iv) in whole or in part, from time to time, to the extent that Mediobanca, by reason of its having made profits or by reason of its obtaining new capital contributions or by reason of the occurrence of any other event would not be required to reduce its obligations in respect of interest and principal in accordance with this Condition 3(f) (*Loss absorption in respect of Upper Tier II Subordinated Notes*).

Mediobanca shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 13 (*Notices*).

- (g) *Deferral of interest on Upper Tier II Subordinated Notes*: Mediobanca will not be required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved, paid or set aside for payment by its shareholders' meeting or paid in respect of any class of its shares during the 12-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date or (ii) the Management Board of Mediobanca has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code.

Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that Mediobanca makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims, and (ii) in full on the earliest to occur of: (A) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of shares of Mediobanca; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of Mediobanca is commenced pursuant to Article 83 of the Consolidated Banking Law or on which Mediobanca becomes subject to a liquidation order.

- (h) *Notice of interest deferral*: Mediobanca shall give not more than 25 nor less than 15 days prior notice to the Paying Agents and to the holders of Notes in accordance with Condition 13 (*Notices*):
- (i) of any Interest Payment Date on which, pursuant to the provisions of Condition 3(g) (*Deferral of interest on Upper Tier II Subordinated Notes*) above, interest will not be paid;
  - (ii) of any date upon which amounts in respect of arrears of interest shall become due and payable;
  - (iii) of (1) the amount of principal and of sums which would otherwise have been payable as interest in respect of the Notes and which, having been applied to meet the losses of Mediobanca pursuant to Condition 3(f) (*Loss Absorption in respect of Upper Tier II Subordinated Notes*), are to be reinstated as provided herein, (2) the date of such reinstatement and the date on which the relevant amount shall become due and payable in accordance with these Conditions and (3) details of the event giving rise to such reinstatement.

The information contained in any notice given in accordance with this Condition 3(h) (*Notice of interest deferral*) will be available at the specified office of the Fiscal Agent from the date of the relevant notice.

- (i) *Restrictions relating to Tier III Subordinated Notes*: Tier III Subordinated Notes shall be subject to the same restrictions provided for in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that Tier III Subordinated Notes shall be subject to (i) a different minimum Maturity Period as specified in the relevant Note Final Terms and (ii) a lock-in clause pursuant to which payments of interest and repayments of principal shall be suspended during the period (the “**Suspension Period**”) in which such payments or repayments would reduce the total amount of the assets (*ammontare complessivo dei fondi patrimoniali*) of Mediobanca below the aggregate of the capital requirements (*complesso dei requisiti patrimoniali*) of Mediobanca, as provided under the Bank of Italy Regulations and, for the avoidance of doubt, interest shall not accrue on any repayments of principal or payments of interest suspended during the Suspension Period. See “Summary of the Programme”.

#### 4. **INTEREST AND OTHER CALCULATIONS**

- (a) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

“**Accrual Yield**” has the meaning given in the relevant Note Final Terms.

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Note Final Terms.



**“Business Day”** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre.

**“Calculation Agent”** means Mediobanca - Banca di Credito Finanziario S.p.A., the Fiscal Agent or such other Person specified in the relevant Note Final Terms as the party responsible for calculating the Interest Rate(s) and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Note Final Terms.

**“Calculation Amount”** has the meaning given to it in the relevant Note 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 Note Final Terms and:

- (a) if **“1/1”** is specified, 1;
- (b) if **“Actual/Actual”** or **“Actual/Actual (ISDA)”** is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **“Actual/Actual (ICMA)”** is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (d) if “**Actual/365 (Fixed)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (e) if “**Actual/360**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (f) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, the number of days in the Calculation Period in respect of which payment is being made 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 Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation 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; and

- (g) if “**30E/360**” or “**Eurobond Basis**” is specified, the number of days in the Calculation Period in respect of which payment is being made 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 Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (h) if “**30E/360 (ISDA)**” is specified, the number of days in the Calculation Period in respect of which payment is being made 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 Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

“**Fixed Coupon Amount**” has the meaning given to it in the relevant Note Final Terms.

“**Interest Amount**” means, in relation to a Note and Interest Period, the amount of interest payable in respect of the Note for that Interest Period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the relevant Note Final Terms.

“**Interest Determination Date**” has the meaning given to it in the relevant Note Final Terms.

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Note Final Terms and, if a Business Day Convention is specified in the relevant Note Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention.

**“Interest Period”** means the period beginning on the Interest Commencement Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date.

**“Interest Rate”** means the rate of interest (expressed as a percentage per annum) payable from time to time in respect of this Note and which is either specified, or calculated in accordance with the provisions, in the relevant Note 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 Notes of the relevant Series (as specified in the relevant Note 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)).

**“Issue Date”** has the meaning given in the relevant Note Final Terms.

**“Issue Price”** has the meaning given in the relevant Note Final Terms.

**“Margin”** has the meaning given in the relevant Note Final Terms.

**“Payment Business Day”** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (i) 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
- (ii) 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.

**“Reference Banks”** means, the institutions specified as such in the relevant Note 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 Note Final Terms.

**“Reference Rate”** has the meaning given in the relevant Note Final Terms.

**“Regular Period”** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**“Relevant Currency”** means the currency specified as such in the relevant Note Final Terms or, if none is specified, the currency in which the Notes are denominated.

**“Relevant Financial Centre”** means, with respect to any Floating Rate to be determined on an Interest Determination Date, the financial centre as may be specified as such in the relevant Note 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.

**“Relevant 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 Screen Page in the relevant Note 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 Time**” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Note 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 Time shall be 11.00 am Brussels time.

“**Specified Currency**” has the meaning, if any, given in the relevant Note 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.

(b) *Interest Rate and Accrual*

Each Note bears interest on its outstanding principal amount from the Interest Commencement Date at the Interest Rate, such interest being payable in arrear on each interest payment date (each, an “**Interest Payment Date**”).

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 4 (*Interest and other Calculations*) to the Relevant Date (as defined in Condition 7 (*Taxation*)).

(c) *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.

(d) *Interest Rate on Fixed Rate Notes*

If the Fixed Rate Note Provisions are specified in the relevant Note Final Terms as being applicable, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Denomination. The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Interest Rate to the Calculation

Amount of such Note, 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 4(h) (*Rounding*). Where the Specified Denomination of a Fixed Rate Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(e) *Interest Rate on Floating Rate Notes*

If the Floating Rate Note Provisions are specified in the Note Final Terms as being applicable, the Interest Rate for each Interest 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 Note Final Terms as the manner in which the Interest Rate is to be determined, as follow:
  - (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 Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest 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 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 Time on the Interest 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
  - (D) 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 Relevant Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Interest

Rate for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *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 Interest Period, the Interest Rate applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (ii) *ISDA Determination*: If ISDA Determination is specified in the relevant Note Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest 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 as specified in the relevant Note Final Terms;
  - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Note Final Terms; and
  - (C) 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 Interest Period or (2) in any other case, as specified in the relevant Note Final Terms.

- (f) *Index-Linked Interest or other Variable-Linked Interest*: If the Index-Linked Interest or other Variable-Linked Interest Note Provisions are specified in the relevant Note Final Terms as being applicable, the Interest Rate(s) applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Note Final Terms.

- (g) *Maximum/Minimum Interest Rates, Instalment Amounts and Redemption Amounts*

If any Maximum or Minimum Interest Rate, Instalment Amount or Redemption Amount is specified in the relevant Note Final Terms, then any Interest Rate, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

- (h) *Rounding*

For the purposes of any calculations required pursuant to these Conditions (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) *Calculations*

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding Calculation Amount by the Day Count Fraction, save that where an Interest Amount (or a formula for its calculation) is specified in respect of such period, the amount of interest payable in respect of such Note for such period will equal such Interest Amount (or be calculated in accordance with a formula). Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(j) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*

After the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation, it will, promptly, determine the Interest Rate and calculate the amount of interest payable (the “**Interest Amounts**”) on the principal amount of the Notes for the relevant Interest Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, the Paying Agent, the holders of the Notes, any other Calculation Agent appointed in respect of the Notes which is to make a further calculation upon receipt of such information and, if the Notes 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 Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest 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 Interest Period. If the Notes become due and payable under Condition 9 (*Events of Default*), the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment 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.

(k) *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 Notes and for so long as any Notes 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 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 Notes, 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 Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the 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.

(l) *Late payment on Zero Coupon Notes*

If the Zero Coupon Note Provisions are specified in the relevant Note Final Terms as being applicable and the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The calculation of the above amount shall be made (where such calculation is to be made for a period which is not a whole number of years) on the basis of such Day Count Fraction as may be specified in the relevant Note Final Terms for the purposes of this Condition 4(l) (*Late payment on Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

(m) *Dual Currency Note Provisions*

If the Dual Currency Note Provisions are specified in the relevant Note Final Terms as being applicable and the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Note Final Terms.

## 5. REDEMPTION, PURCHASE AND OPTIONS

### (a) Definitions

In these Conditions, unless the context requires otherwise:

#### (i) Redemption amount

The expressions “**Early Redemption Amount (Tax)**”; “**Early Termination Amount**”, “**Final Redemption Amount**”, “**Instalment Amount**”, “**Optional Redemption Amount (Call)**”, and “**Optional Redemption Amount (Put)**” mean, in respect of any Note: (A) such amount as may be specified in, or determined in accordance with the relevant Note Final Terms; or (B) if no such amount is specified, the principal amount of such Note.

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Instalment Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Note Final Terms.

#### (ii) Maturity date/period

“**Maturity Date**” has the meaning given in the relevant Note Final Terms.

“**Maturity Period**” means the period from and including the Issue Date to but excluding the Maturity Date.

### (b) Maturities/Final Redemption

Unless previously redeemed, purchased and cancelled as provided below in accordance with Condition 5(f) (*Redemption at the option of the Issuer*) or 5(h) (*Redemption at the option of holders of Notes*) or unless its maturity is extended pursuant to an option of the Issuer or holders of Notes and without prejudice of Condition 5(g) (*Redemption and purchase of Subordinated Notes*) relating to the redemption of Subordinated Notes, each Note will be redeemed at its Final Redemption Amount on the Maturity Date.

### (c) Redemption for taxation reasons

If Redemption for taxation reasons is specified in the Note Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the prior approval of the Bank of Italy) in whole, but not in part, on any Interest Payment Date or, if so specified in the relevant Note Final Terms, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), at their Early Redemption Amount (Tax) (together with interest accrued to the date fixed for redemption), if (i) based on an opinion of a nationally recognized law firm or other tax adviser in the relevant Taxing Jurisdiction (as appropriate) experienced in such matters, there is more than an unsubstantial risk that the Issuer (or, if the Guarantee of the Notes were called, the Guarantor) (A) has or will become obliged to pay additional amounts as

provided or referred to in Condition 7 (*Taxation*) or (B) has or will become subject to more than a *de minimis* additional amount of national income taxes (and/or, in the case of Mediobanca, regional tax on productive activities – IRAP) due to partial or entire limitation to the deductibility of any payments under the Notes (provided that, with respect to Mediobanca, any additional amount of national income taxes arising from a limitation of the deductibility of interest payments exceeding the 4% percentage set forth, as at the date of the Issuing and Paying Agency Agreement, in Article 96, paragraph 5-bis of the Italian Presidential Decree No. 917 of 22 December 1986, would be considered as exceeding the aforesaid *de minimis* additional amount), in either case as a result of (1) any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision thereof or any agency or authority thereof or therein having power to tax (in the case of payments made by or on behalf of Mediobanca International) or the Republic of Italy or any political subdivision thereof or any agency or authority thereof or therein having power to tax (in the case of payments made by or on behalf of Mediobanca), or (2) any change in the application or official interpretation of such laws or regulations, or (3) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (for purposes of this definition, an “**Administrative Action**”), or (4) any clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the generally accepted position, in each case by any legislative body, court, governmental, administrative or regulatory authority or body, irrespective of the manner in which such clarification or change is made known, which change, amendment, Administrative Action or clarification becomes effective on or after the Issue Date, and (ii) such obligations/limitations under (A) and (B) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it which (x) do not require the Issuer (or the Guarantor, as the case may be) to incur material out-of-pocket expenses and (y) would not otherwise be disadvantageous to the Issuer or the Guarantor, as determined in their discretion; *provided that* in the case under (A) above no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then be due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by a director of the Issuer (or the Guarantor, as the case may be) stating that such Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of such Issuer (or the Guarantor, as the case may be) so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that there is more than an unsubstantial risk that the Issuer (or the Guarantor, as the case may be) (A) has or will become obliged to pay such additional amounts or (B) has or will become subject to more than a *de minimis* additional amount of taxes, as indicated above, due to limitation of the deductibility of payments under the Notes as a result of such change, amendment, Administrative Action or clarification.

(d) **Purchases**

Subject to Condition 5(g) (*Redemption and purchase of Subordinated Notes*), the Issuer, the Guarantor and any of the Guarantor's subsidiaries may at any time purchase Notes in the open market or otherwise at any price provided that all unmatured Receipts and Coupons and unexchanged Talons appertaining thereto are attached or surrendered therewith. Without prejudice to the foregoing, if so specified in the relevant Note Final Terms the Issuer will be entitled to exercise the option to repurchase from the holder(s), at its sole discretion, (1) all (but not part of) the Notes of the relevant Series (the “**Total Repurchase Option**”) or (2) on one or more occasions, any portion of the Notes of the relevant Series, provided that in such circumstances the amount of the Notes of the relevant Series to be purchased from each holder shall be the same proportion that the aggregate principal amount of the Notes of the relevant Series that are subject to the relevant Partial Purchase Option bears to the aggregate principal amount of all the Notes of the relevant Series then outstanding prior to the exercise of the relevant Partial Purchase Option (the “**Partial Repurchase Option**”). The Total Repurchase Option and the Partial Repurchase Option can only be exercised by the Issuer at the date(s) and the price(s) specified in the relevant Note Final Terms as the Total Repurchase Option date or the Partial Repurchase Option date(s) and the Total Repurchase Option amount or Partial Repurchase Option amount(s), respectively. Upon exercise of the Total Repurchase Option or the Partial Repurchase Option, the holder(s) shall be obliged to sell to the Issuer (or any other entity indicated by the Issuer) all the Notes of the Series in relation to which the Total Repurchase Option or the Partial Repurchase Option (as the case may be) is exercised.

(e) **Early Redemption of Zero Coupon Notes, Redemption of Zero Coupon for taxation reasons, Redemption of Zero Coupon at the Option of the holder, Redemption of Zero Coupon Notes at the option of holders of Notes**

Unless otherwise specified in the relevant Note Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (A) the Reference Price; and
- (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Note Final Terms for the purposes of this Condition 5(e) (*Early Redemption of Zero Coupon Notes, Redemption of Zero Coupon for taxation reasons, Redemption of Zero Coupon at the Option of the holder, Redemption of Zero Coupon Notes at the option of holders of Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

(f) **Redemption at the option of the Issuer**

If the Call Option is specified in the relevant Note Final Terms as being applicable, the Issuer may (subject in the case of Subordinated Notes to prior approval of the Bank of Italy), on giving irrevocable notice to the holders of Notes within the period specified in the relevant Note Final Terms (such period to be not less than 30 nor more than 60 days) redeem, or exercise the Issuer's option in relation to, all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Optional Redemption Amount (Call) together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Note Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option the notice to holders of Notes shall also contain the serial numbers of the Notes to be redeemed, which shall have been drawn in such place as the Fiscal Agent may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

(g) **Redemption and purchase of Subordinated Notes**

(A) **Maturities**

Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with a fixed Maturity Period of ten years or longer (*altri strumenti rimborsabili*). Lower Tier II Subordinated Notes shall have a minimum Maturity Periods of five years and Tier III Subordinated Notes shall have a minimum Maturity Period of two years, in each case as provided under the Bank of Italy Regulations.

(B) *Regulatory approval in case of redemption and/or early redemption*

Notwithstanding the foregoing provisions of this Condition 5 (*Redemption, Purchase and Options*), where required by the then applicable Bank of Italy Regulations, the redemption and/or early redemption of Subordinated Notes shall be subject to the prior approval of the Bank of Italy, such approval in respect of redemption and/or early redemption of Upper Tier II Subordinated Notes being dependent on Mediobanca maintaining its Minimum Capital as prescribed in Title I, Chapter 2 of the Bank of Italy Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the redemption date, Mediobanca will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required Minimum Capital. Mediobanca will use its best endeavours to maintain such required minimum capital and to obtain such approval.

(C) *Indefinite maturity*

Without prejudice to paragraph (B) above, where Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period but are subject to redemption at the option of Mediobanca, such Notes may only be redeemed by the giving of notice from Mediobanca to holders of Notes as follows: (i) five years' notice, in the case of Lower Tier II Subordinated Notes; and (ii) two years' notice, in the case of Tier III Subordinated Notes.

(D) *Interest*

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the holders of Notes and (ii) the day which is seven days after the Fiscal Agent has notified the holders of Notes that it has received all sums due in respect of such Subordinated Notes up to such seventh day.

(E) *Purchase*

Subordinated Notes may only be purchased by Mediobanca or any of its subsidiaries subject to the prior approval of the Bank of Italy, unless the Notes to be purchased (A) do not exceed 10 per cent. of the aggregate nominal amount of the relevant Series and (B) are not to be purchased in order to be surrendered to any Paying Agent for cancellation.

(F) *Redemption for regulatory reasons (Regulatory Call)*

If Regulatory Call is specified in the applicable Final Terms, the Subordinated Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole or in part (as specified in the applicable Final Terms), at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note), on giving not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) to the Paying Agent and, in accordance with Condition 13, to the holders of the Notes, if a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as "Lower Tier II Capital", "Upper Tier II Capital" or "Tier III Capital", as applicable, on a consolidated or non consolidated basis, as a result of changes after the date of issue of the relevant Subordinated Notes in the standards and guidelines of the Bank of Italy or in the applicable legal or regulatory provisions (including legal or regulatory provisions adopted by the European Union).

For the purpose of this Condition, the **Minimum Disqualification Amount** means 10 per cent. of the aggregate outstanding nominal amount of the relevant Subordinated Notes.

(h) **Redemption at the option of holders of Notes**

This Condition 5(h) (*Redemption at the option of holders of Notes*) shall not apply to Subordinated Notes.

If the Put Option is specified as being applicable to the Notes in the relevant Note Final Terms, the Issuer shall, at the option of the holder of any such Note, redeem such Note on the date or dates so provided at its Optional Redemption Amount (Put) together with interest accrued to the date fixed for redemption, unless otherwise specified in the relevant Note Final Terms.

To exercise such option or any other option of a holder of Notes which may be set out in the Note Final Terms, the holder must deposit such Note with any Paying Agent at its specified office, together with a duly completed option exercise notice (“**Exercise Notice**”) in the form obtainable from any Paying Agent, within the period specified in the relevant Note Final Terms (such period to be not less than 30 nor more than 60 days). No Note so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement) without the prior consent of the Issuer.

(i) **Redemption by instalments**

Unless previously redeemed, purchased and cancelled on the relevant Instalment Date (being one of the dates so specified in the Note Final Terms) in accordance with Condition 5(f) (*Redemption at the option of the Issuer*) or 5(h) (*Redemption at the option of holders of Notes*) or is extended pursuant to an option of the Issuer or holder of Notes, each Note which provides for Instalment Dates and Instalment Amounts will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Note shall be reduced by the Instalment Amount for all purposes.

(j) **Extendable Notes**

If the Note Final Terms specify that the Notes are Extendable Notes, such Notes shall contain an option exercisable by holders of the Notes or the Issuer to extend the original Maturity Period of such Notes. The Note Final Terms will set forth the manner in which the Maturity Period of such Notes are extendable, the final date beyond which the Maturity Period may not be extended and the procedure for notification of such extension.

(k) **Cancellation**

Notes purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's subsidiaries (where applicable) may be surrendered for cancellation, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor (where applicable) in respect of any such Notes shall be discharged.



## 6. PAYMENTS AND TALONS

### (a) **Payments outside the United States**

Payments of principal and interest in respect of Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and *provided that* the Receipts are presented for payment together with their relative Notes), Notes (in the case of all other payments of principal and, in the case of interest as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(ii)), as the case may be, 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.

### (b) **Payments in the United States**

Notwithstanding the foregoing, if any Notes are denominated in US Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

### (c) **Payments subject to law, etc.**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7 (*Taxation*). No commission or expenses shall be charged to the holders of Notes or Couponholders in respect of such payments.

### (d) **Appointment of Agents**

The Fiscal Agent, the Paying Agent and the Calculation Agent initially appointed by the 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 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, the Calculation Agent, the Registrar or any Transfer Agent and to appoint additional or other agents *provided that* the Issuer will at all times maintain (i) a Fiscal Agent, (ii) a Calculation Agent where the Conditions so require one, (iii) the 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 Notes are listed on the Luxembourg Stock Exchange), and (v) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York in respect of any Notes denominated in US Dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office will promptly be given to the holders of Notes in accordance with Condition 13 (*Notices*).

(e) **Unmatured Coupons and Receipts and unexchanged Talons**

- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Notes should be surrendered for payment together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8 (*Prescription*)).
- (ii) If the relevant Notes so provide, upon the due date for redemption of any Note, unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Note which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Note which provides that the relative Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provisions of such indemnity as the Issuer may require.

- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note which only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.

(f) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered to or to the order of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 8 (*Prescription*)).

(g) **Non-Business Days**

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

In this Condition 6(g) (*Non-Business Days*):

“**Additional Financial Centre**” means the city or the cities specified as such in the relevant Note Final Terms; and

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
  - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre specified in the Note Final Terms; or
- (ii) if the currency of payment is not euro, any day which is:
  - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on

in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre specified in the Note Final Terms.

## 7. TAXATION

### (a) Gross Up

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by the Issuer or (as the case may be) the Guarantor under the Deed of Guarantee will be made without withholding or deduction for, or on the account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Grand Duchy of Luxembourg or any political subdivision thereof or any agency or authority therein or thereof having power to tax (in the case of payments made by or on behalf of Mediobanca International) or the Republic of Italy or any political subdivision thereof or any agency or authority therein or thereof having power to tax (in the case of payments made by or on behalf of Mediobanca), unless the withholding or deduction of such taxes, duties, assessments or governmental changes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, Receipts or (as the case may be) Coupons, in the absence of such withholding or deduction; except that no additional amounts shall be payable with respect to any payment in respect of any Note, Receipt or Coupon or (as the case may be) under the Deed of Guarantee:

- (i) (A) to, or to a third party on behalf of, a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of its having some connection (otherwise than merely by holding the Note, Receipt or Coupon) with (in the case of payments of principal and interest made by or on behalf of Mediobanca International) the Grand Duchy of Luxembourg or (in the case of payments of principal and interest made by or on behalf of Mediobanca and in respect of payments by Mediobanca under the Deed of Guarantee) the Republic of Italy; or (B) with respect to any Note, Receipt or Coupon presented for payment in the Republic of Italy or the Grand Duchy of Luxembourg; or (C) for or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, Legislative Decree No. 461 of 21 November 1997 or related implementing regulations; or (D) in all circumstances in which the requirements and procedures of such Legislative Decree No. 239 and related implementing rules have not been properly and promptly met or complied with (except where due to the actions or omissions of the Issuer, the Guarantor or their agents); or (E) to, or to a third party on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration or any other statement, including, but not limited to, a declaration of non-residence or other similar claim for exemption to the relevant taxing authority or intermediary/paying agent, but has failed to do so properly and promptly; or

- (ii) (in the case of payments of principal and interest made by or on behalf of Mediobanca and in respect of payments by Mediobanca under the Deed of Guarantee) to a holder who is a non-Italian resident or individual or legal entity which is resident in a tax haven country (as defined and listed in the Italian Ministry of Finance Decree of 23 January 2002 or in any other legislation substituting such decree) or in any country which does not allow for an adequate exchange of information with the Italian tax authorities (not included in Italian Ministerial Decree 4 September 1996 or in any other legislation substituting such decree); or
- (iii) for any Note, Receipt or Coupon presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day; or
- (iv) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any law or agreement implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another paying agent in a Member State of the European Union; or
- (vi) (in the case of payments of principal and interest made by or on behalf of Mediobanca) where withholding or deduction is required by law pursuant to Italian Presidential Decree No. 600 of 29 September 1973; or
- (vii) with respect to any Notes qualifying as “atypical” securities (*titoli “atipici”*) for Italian tax purposes subject to the regime provided for by Italian Law Decree 30 September 1983, No. 512, for and on account of any withholding or deduction required by law pursuant to such decree; or
- (viii) with respect to any Notes redeemed (or repurchased and cancelled) by the relevant Issuer earlier than their original maturity date, where withholding or deduction is required by law pursuant to Italian Presidential Decree No. 600 of 29 September 1973; or
- (ix) in any case, where in the Note Final Terms it is expressly specified under a section called “Taxation” that “No Gross Up” will apply with respect to any Note, Receipt or Coupon pursuant to this point (ix) of paragraph 7 (a) (*Taxation – Gross Up*),

without prejudice to the option of the Issuer to redeem the Notes pursuant to, and subject to the conditions of, Condition 5(c) (*Redemption for taxation reasons*).

(b) **Taxing Jurisdiction**

If the Issuer or the Guarantor (where applicable) becomes subject at any time to any taxing jurisdiction other than the Grand Duchy of Luxembourg or the Republic of Italy respectively,

references in these Conditions to Luxembourg or Italy shall be construed as references to the Grand Duchy of Luxembourg or (as the case may be) the Republic of Italy and/or such other jurisdiction.

As used in these Conditions, “**Relevant Date**” in respect of any Note, Receipt or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 13 (*Notices*) that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, *provided* that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 (*Interest and other Calculations*) or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts which may be payable under this Condition.

## 8. **PRESCRIPTION**

Claims against the Issuer and the Guarantor (where applicable) for payment in respect of the Notes, Receipts and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

## 9. **EVENTS OF DEFAULT**

### (a) **Events of Default of Senior Notes**

This Condition 9(a) (*Events of Default of Senior Notes*) only applies to Senior Notes; any reference to Noteholders shall be construed accordingly. If any of the following events occurs and is continuing, the holder of a Note of any Series may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Termination Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable:

- (i) *Default in payment of principal or interest:* default is made for a period of five Business Days or more in the payment of any principal on any of the Notes or for a period of fifteen Business Days or more in the payment of any interest due in respect of the Notes or any of them;
- (ii) *Failure to perform any other Obligation:* the Issuer or the Guarantor (where applicable) fails duly to perform any other obligation under or in respect of the Notes, the Deed of Guarantee or the Issue and Paying Agency Agreement and such failure continues for more than 30 days after the service by a holder of a Note of notice on the Issuer requiring the same to be remedied;

- (iii) *General suspension of payments*: the Issuer or the Guarantor (where applicable) suspends its payments generally;
- (iv) *Bankruptcy, composition or similar event*: a court in the country of domicile of the Issuer or the Guarantor (where applicable) institutes bankruptcy proceedings or composition proceedings to avert a bankruptcy or the Issuer or the Guarantor (where applicable) applies for institution of such proceedings or any event occurs which under the laws of the Republic of Italy or Luxembourg has an analogous effect to such proceedings;
- (v) *Cross-default*: (i) any other present or future indebtedness of the Issuer or the Guarantor (where applicable) for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity as a result of any payment default thereon by the Issuer or, as the case may be, the Guarantor (where applicable), or (ii) any such indebtedness is not paid when due or, as the case may be, within an applicable grace period, or (iii) the Issuer or the Guarantor (where applicable) fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of any moneys borrowed or raised *provided that* an event of default pursuant to this Condition 9(a)(v) shall only occur if: (A) the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one of the events mentioned in paragraphs (i), (ii) or (iii) above have occurred and is continuing exceeds €35,000,000 and (B) the Issuer or the Guarantor (where applicable) is not contesting in good faith in a competent court in a recognised jurisdiction that the relevant indebtedness or guarantee and/or indemnity is due and enforceable, as appropriate;
- (vi) *Insolvency*: either the Issuer or the Guarantor (where applicable) is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or the Guarantor (where applicable);
- (vii) *Winding-up*: an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer or the Guarantor (where applicable), or the Issuer or the Guarantor (where applicable) applies or petitions for a winding-up or administration order in respect of itself or ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purposes of and pursuant to or in connection with a reconstruction, amalgamation, reorganisation, merger, de-merger, consolidation, deconsolidation or disposal or contribution in kind of assets or branches of business;
- (viii) *Ownership*: in respect of Notes issued by Mediobanca International, Mediobanca International ceases to be controlled by Mediobanca (except in the case of a reconstruction, amalgamation, reorganisation, merger, de-merger,

consolidation or similar transaction by which Mediobanca assumes the payment obligations of Mediobanca International under the Notes).

- (ix) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor (where applicable) to perform or comply with any one or more of its obligations under any of the Notes or the Deed of Guarantee (where applicable); or
- (x) *Guarantee*: in respect of Notes issued by Mediobanca International, the Deed of Guarantee (where applicable) ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under the Deed of Guarantee or the Deed of Guarantee is claimed by Mediobanca International or the Guarantor not to be in full force and effect (except in the case of a reconstruction, amalgamation, reorganisation, merger, de-merger, consolidation or similar transaction by which Mediobanca assumes the payment obligations of Mediobanca International under the Notes).

(b) **Events of Default of Subordinated Notes**

This Condition 9(b) (*Events of Default of Subordinated Notes*) applies only to Subordinated Notes; any reference to Noteholders shall be construed accordingly. If any of the following events occurs and is continuing, the holder of a Note may give written notice to the Fiscal Agent at its Specified Office that such Note is immediately repayable:

- (i) *Default in payment of principal or interest*: default is made for a period of five Business Days or more in the payment of any principal due on any of the Notes or for a period of fifteen Business Days or more in the payment of any interest due on any of the Notes; or
- (ii) *Winding-up*: Mediobanca is wound up or dissolved, except for the purposes of, and pursuant to, or in connection with, a reconstruction, amalgamation, reorganisation, merger, de-merger, consolidation, deconsolidation or disposal of assets,

whereupon (in both (i) and (ii) above of this Condition 9(b) (*Events of Default of Subordinated Notes*)) the Early Termination Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable and any holder of a Note may at its discretion and without further notice institute proceedings to determine the insolvency or bankruptcy of Mediobanca or prove in any winding-up or bankruptcy of Mediobanca. No remedy against Mediobanca other than as specifically provided by this Condition 9(b) (*Events of Default of Subordinated Notes*) shall be available to holders of the Notes or Coupons for the recovery of amounts owing in respect of the Notes or Coupons.

10. **MEETINGS OF HOLDERS OF NOTES AND MODIFICATIONS**

(a) *Meetings of holders of Notes*

The Issue and Paying Agency Agreement contains provisions for convening meetings of holders of Notes to consider any matter affecting their interest, including



modification by Extraordinary Resolution of the Notes (including these Conditions insofar as the same may apply to such Notes). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the holders of Notes, whether present or not and on all relevant holders of Coupons, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest thereon, (ii) to reduce or cancel the principal amount or an Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Interest Amount in respect thereof, (iv) if a Minimum and/or a Maximum Interest Rate, Instalment Amount or Redemption Amount is shown in the Note Final Terms, to reduce any such Minimum and/or Maximum, (v) to change any method of calculating the Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions contained concerning the quorum required at any meeting of holders of Notes or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution, (viii) to modify the provisions which would have the effect of giving any authority, direction or sanction which under the Notes is required to be given pursuant to a meeting of holders of Notes to which the special quorum provisions apply, (ix) to take any steps which as specified in the Note Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (x) to amend the foregoing exceptions in any manner, will only be binding if passed at a meeting of the holders of Notes (or at any adjournment thereof) at which a special quorum (provided for in the Issue and Paying Agency Agreement) is present.

(b) *Modification of Issue and Paying Agency Agreement*

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 Notes.

(c) *Errors or inconsistencies*

The Issuer and the Guarantor may, without the prior consent of the holders of the Notes correct (i) any manifest error in the Terms and Conditions of the Notes and/or in the Note Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Notes and/or in the Note Final Terms or (iii) any inconsistency in the Terms and Conditions of the Notes and/or in the Note Final Terms between the Terms and Conditions of the Notes and/or the Note Final Terms and any other documents prepared in connection with the issue and/or offer of a Series of Notes (provided such correction is not materially prejudicial to the holders of the relevant Series of Notes). Any such correction shall be binding on the holders of the relevant Notes and the Issuer and the Guarantor (if applicable) shall cause such correction to be notified to the holders of the Notes as soon as practicable thereafter pursuant to Condition 13 (*Notices*).

## 11. **REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

If a Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to holders in accordance with Condition 13 (*Notices*), in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 12. **FURTHER ISSUES AND CONSOLIDATION**

The Issuer may from time to time without the consent of the holders of Notes or Coupons create and issue further notes having the same terms and conditions as the Notes 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 Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

The Issuer may also from time to time upon not less than 30 days' prior notice to Noteholders, without the consent of the holders of Notes or Coupons of any Series, consolidate the Notes with Notes of one or more other Series (the “**Other Notes**”) issued by it, provided the Notes and the Other Notes have been redenominated into Euro (if not originally denominated in Euro), and otherwise have, in respect of all periods subsequent to such consolidation, the same terms. Notice of any such consolidation will be given to the Noteholders in accordance with Condition 13 (*Notices*). The Fiscal Agent shall act as the consolidation agent.

With effect from their consolidation, the Notes and the Other Notes will (if listed prior to such consolidation) be listed on at least one European stock exchange on which either the Notes or the Other Notes were listed immediately prior to such consolidation.

The Issuer shall in dealing with holders of such Notes following a consolidation pursuant to this Condition 12 (*Further Issues and Consolidation*) have regard to the interest of the holders and the holders of the Other Notes, taken together as a class, and shall treat them alike.

## 13. **NOTICES**

Notices to the holders of Notes will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or on the website of the relevant Issuer ([www.mediobanca.it](http://www.mediobanca.it) or [www.mediobancaint.lu](http://www.mediobancaint.lu)) and the Guarantor ([www.mediobanca.it](http://www.mediobanca.it)). If any such publication is not practicable, notice will be validly given if published in another leading daily English language newspaper of general circulation in Europe.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Holders of Coupons shall be deemed for all purposes to have notice of the contents of any notice to the holders of Notes in accordance with this Condition.

#### 14. **SUBSTITUTION OF THE ISSUER**

- (a) The Issuer and, in case of Notes issued by Mediobanca International, the Guarantor may at any time, without the consent of the holders of Notes or Coupons, substitute for the Issuer any company (the “**Substitute**”) upon notice by the Issuer, the Guarantor (in case of Notes issued by Mediobanca International) and the Substitute to be given in accordance with Condition 13 (*Notices*), provided that;
- (i) no payment in respect of the Notes, the Receipts or the Coupons 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 15 (the “**Deed Poll**”), agree to indemnify each holder of Notes and Coupons 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 Note, Receipt, Coupon, Talon or the Deed of Covenant and which would not have been so imposed or otherwise suffered by any holder of Notes, Receipts or Coupons 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 Notes issued by Mediobanca International, where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, Coupons, Talons 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 Notes, Receipts, Coupons, Talons 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 and Dealers 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 14

(*Substitution of the Issuer*) and the other matters specified in the Deed Poll and that the Notes, Receipts, Coupons and Talons are legal, valid and binding obligations of the Substitute;

- (vii) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the Substitute, the Notes 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 Notes.
- (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 Issuer under the Notes and the Issue and Paying Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Notes and under the Issue and Paying Agency Agreement.
- (c) After a substitution pursuant to Condition 14(a), the Substitute may, without the consent of any holder, effect a further substitution. All the provisions specified in Conditions 14(a) and 14(b) shall apply *mutatis mutandis*, and references in these Conditions to the 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 14(a) or 14(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.

## 15. LAW AND JURISDICTION

- (a) *Governing Law:* Unless otherwise provided in the Note Final Terms and being applicable, the Notes and any contractual or non-contractual obligations arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law, except for Conditions 3 (*Status and Special Provisions of Subordinated Notes*), 5(g) (*Redemption and purchase of Subordinated Notes*) and 9(b) (*Events of Default of Subordinated Notes*), which are governed by, and shall be construed in accordance with, Italian law.
- (b) *English courts:* Unless otherwise provided in the Note Final Terms as being applicable in relation to the Governing Law, subject to Condition 15(d) (*Rights of the Noteholders to take proceeding outside England*), the courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Notes, whether arising out of or in connection with contractual or non-contractual obligations.

- (c) *Appropriate forum:* Unless otherwise provided in the Note Final Terms as being applicable in relation to the Governing Law, each of the 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 Noteholders to take proceeding outside England:* Unless otherwise provided in the Note Final Terms as being applicable in relation to the Governing Law, Condition 15(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 15 (*Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of notices/documents:* Unless otherwise provided in the Note Final Terms as being applicable in relation to the Governing Law, each of the 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 Issuer and the Guarantor (where applicable), the Issuer and the Guarantor (where applicable) shall, on the written demand of any Noteholder addressed and delivered to the 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 Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor (where applicable) and delivered to the 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 Noteholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

## GENERAL TERMS FOR CREDIT-LINKED NOTES

Notwithstanding any provisions (the “**Base Conditions**”), the following are the General Terms for Credit-Linked Notes (the “**CLN Terms**”) which modify and supplement the Base Conditions and will apply in respect of Credit-Linked Notes that are issued under the Programme to the extent so specified in the relevant Note Final Terms.

All capitalised terms not otherwise defined herein shall have the meanings given to them in the relevant Note Final Terms. In the event of any inconsistency between the Base Conditions and the CLN Terms, the CLN Terms set out below shall prevail. In the event of any inconsistency between (i) the Base Conditions and/or the CLN Terms and (ii) the applicable Note Final Terms, the applicable Note Final Terms shall prevail.

### 1. FINAL REDEMPTION AND MATURITY DATE

Base Condition 5(b) (*Maturities/Final Redemption*) shall not apply and instead the provisions of this CLN Term 1 shall apply.

- a) For the purposes of the Credit-Linked Notes, “Scheduled Maturity Date” means the original Maturity Date specified in paragraph 8 of the Note Final Terms.
- b) Unless either (i) the Notes have been previously redeemed or purchased and cancelled, or (ii) the provisions of CLN Term 2 apply, the Issuer will redeem each of the Notes on the Scheduled Maturity Date in an amount equal to its Final Redemption Amount on the Scheduled Maturity Date.
- c) The Calculation Agent may deliver an Extension Notice at any time prior to the Scheduled Maturity Date in accordance with CLN Term 9(d). As soon as reasonably practicable after receiving an Extension Notice from the Calculation Agent, the Issuer shall promptly inform the Principal Paying Agent and the Noteholders in accordance with Base Condition 13 (*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 Issuer shall redeem each Note as follows:
  - i) if (A) “Cash Settlement” is specified as the Settlement Basis in the applicable Note 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 Note Final Terms and Cash Settlement is elected by the Issuer in the Issuer Credit Event Notice (as defined below) or (C) “Cash Settlement” is specified as the Fallback Settlement Basis and the provisions of CLN Term 6 (Auction Settlement) requires that the Issuer redeem the Credit-Linked Notes in accordance with CLN Term 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 Note 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 Note Final Terms and Physical Settlement is elected by the Issuer in the Issuer Credit Event Notice or (C) “Physical Settlement” is specified as the Fallback Settlement Basis and the provisions of CLN Term 6 (*Auction Settlement*) requires that the Issuer redeem the Credit-Linked Notes in accordance with CLN Term 5 (*Physical Settlement*), by Delivery of the Relevant Proportion of the Deliverable Obligation(s) by the Physical Settlement Date;

- iii) if “Auction Settlement” is specified as the Settlement Basis in the applicable Note 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 Note Final Terms, as set out in sub-paragraph (i) or (ii) above at the option of the Issuer in its sole and absolute discretion and notified to Noteholders 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 Note Final Terms, as set out in sub-paragraph (i), (ii) or (iii) above at the option of the Issuer in its sole and absolute discretion and notified to Noteholders in the relevant Issuer Credit Event Notice,

Upon discharge by the 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 Issuer’s obligations to pay the Final Redemption Amount in respect of the Notes shall be discharged in full.

- b) If a Credit Event occurs during the Credit Observation Period and the Conditions to Settlement are not satisfied, the Issuer may elect to redeem each of the Notes in an amount equal to its Final Redemption 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 CLN Term 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 Scheduled Maturity Date is later than the Final Payment Date, on the Scheduled Maturity Date (in which case interest (if applicable) shall continue to accrue from the date on which interest ceased to accrue in accordance with CLN Term 9, any such accrued but unpaid interest being payable on the Interest Payment Date next following the Final Payment Date and to be paid in accordance with the Base Conditions) and the Issuer shall, as soon as reasonably practicable give notice of such election to the Principal Paying Agent and the Noteholders in accordance with Base Condition 13 (*Notices*).
- c) If the applicable Note Final Terms or Issuer Credit Event Notice specifies that Cash Settlement shall apply then the provisions of CLN Term 4 (*Cash Settlement*) shall

apply, if Physical Settlement is so specified then the provisions of CLN Term 5 (*Physical Settlement*) shall apply and if Auction Settlement is so specified then the provisions of CLN Terms 6 (*Auction Settlement*) shall apply.

### 3. NOTICES

- a) In accordance with these CLN Terms, the entity specified as the relevant Notifying Person specified in the Note 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 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 Principal Paying Agent and the Noteholders in accordance with Base Condition 13 (*Notices*) that a Credit Event Notice has been delivered with respect to the Credit-Linked Notes 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 Note Final Terms, specify whether it elects to redeem the Notes 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 Notes are Nth-to-Default Credit-Linked Notes, 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 CLN Terms, if any.
- c) In the case of a Credit-Linked Note where “Physical Settlement” is specified as the Settlement Basis, the relevant Note Final Terms will provide that a Notice of Physical Settlement must be delivered by the Issuer to the Calculation Agent, the Principal Paying Agent and the Noteholders in accordance with Base Condition 13 (*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 CLN Term 5(a)) shall be used.
- d) Where Restructuring is specified in the relevant Note 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 CLN Term 11 (*Restructuring Credit Event*) below. In addition, in the case of a Basket Credit-Linked Note, 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 Note, 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 CLN Terms 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 Note.

- e) Where Repudiation/Moratorium and/or Failure to Pay is specified in the relevant Note 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 CLN Term 7 (*Suspension Terms*) and CLN Term 8 (*Reversals and Adjustments to Credit Event Determination Dates*), if (i) “Cash Settlement” is specified as the Settlement Basis in the applicable Note 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 Note Final Terms and (Cash Settlement is elected by the Issuer in the Issuer Credit Event Notice) or (iii) “Cash Settlement” is specified as the Fallback Settlement Basis and the provisions of CLN Term 6 (*Auction Settlement*) requires that the Issuer redeem the Credit-Linked Notes in accordance with this CLN Term 4 (*Cash Settlement*), on the Cash Settlement Date the Issuer shall, subject as aforesaid, redeem each Note by payment of the Cash Settlement Amount.
- b) The Cash Settlement Amount in respect of each Note shall be the amount specified as such in the applicable Note 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) the outstanding principal amount of such Note multiplied by the Final Price of the Reference Obligation(s), provided that if the applicable Note 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.
- 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 Note 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 Note 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 CLN Term 7 (*Suspension Terms*) and CLN Term 8 (*Reversals and Adjustments to Credit Event Determination Dates*), if (i) “Physical Settlement” is specified as the Settlement Basis in the applicable Note 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 Note Final Terms (and Physical Settlement is elected by the Issuer in the Issuer Credit Event Notice) or (iii) “Physical Settlement” is specified as the Fallback Settlement Basis and the provisions of CLN Term 6 (*Auction Settlement*) requires that the Issuer redeem the Credit-Linked Notes in accordance with this CLN Term 5 (*Physical Settlement*), the Issuer shall, on or before the Physical Determination Date, deliver to the Calculation Agent, the Principal Paying Agent and the Noteholders in accordance with Base Condition 13 (*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 Calculation Agent, the Principal Paying Agent and the Noteholders at any time prior to the Delivery Date.
- b) On or prior to the Physical Settlement Date the Issuer shall, subject to CLN Term 5(c) and CLN Term 7 (*Suspension Terms*), Deliver to each Noteholder the Relevant Proportion of the Deliverable Obligation(s). In the event that the Issuer, for any reason whatsoever, is unable to effect Delivery of the Relevant Proportion of the Deliverable Obligation(s) to any Noteholder by the Physical Settlement Date, the Issuer may continue to attempt such Delivery for an additional sixty (60) Business Days after the Physical Settlement Date. Subject to CLN Term 5(f), failure by the Issuer to Deliver to a Noteholder 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.
- c) In order to obtain Delivery of the Relevant Proportion of the Deliverable Obligation(s), each Noteholder must deliver to the 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 CLN Term 5(h), the form of which may be obtained from the specified office of the Issuer or the Paying Agent and (ii) in the case of a holding of a Definitive Note, the Note (which expression shall, for the purposes of this CLN Term 5(c), include Certificate(s), Receipt(s) and, if applicable, all unmatured Coupons and unmatured and unexchanged Talons). In the event that the Note is represented by a Global Note, an Asset Transfer Notice must be delivered to the 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 Note Final Terms.

- d) After delivery of a valid Asset Transfer Notice, no transfers of the Notes specified therein which are represented by a Global Note may be effected by any relevant clearing system.
- e) Upon receipt of a duly completed Asset Transfer Notice and, in the case of Definitive Notes, the Note to which such notice relates, the 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 Note referred to therein according to its books.

Subject as provided herein, in relation to each Note, the Relevant Proportion of the Deliverable Obligation(s) will be Delivered to the relevant Noteholder at the risk of such Noteholder.

If the Asset Transfer Notice (and with respect to Definitive Notes, the relevant Note) are delivered to the 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 Noteholder in the manner provided above. For the avoidance of doubt, such Noteholder 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 CLN Term 5(e) or otherwise due to circumstances beyond the control of the Issuer.

If the relevant Noteholder 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 Notes, fails to deliver the Note related thereto or fails to pay the Delivery Expenses and, if applicable, the Hedge Unwind Costs as referred to in CLN Term 5(j), the Issuer shall be discharged from its obligations in respect of such Note and shall have no further obligation or liability whatsoever in respect thereof.

f)

i) If due to an event beyond the control of the Issuer it is impossible, impracticable or illegal for the Issuer to Deliver, or due to an event beyond the control of any Noteholder or its designated nominee, it is impossible, impracticable or illegal for such Noteholder 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 Issuer or the Noteholder, as applicable, shall provide a description in reasonable detail of the facts giving rise to such impossibility, impracticability or illegality and the Issuer shall Deliver and such Noteholder 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 Issuer shall Deliver and such Noteholder, 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 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 Noteholder 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 Issuer shall pay to each relevant Noteholder, the Partial Cash Settlement Amount and upon discharge by the Issuer of such payment obligation on the Partial Cash Settlement Date, the Issuer's obligations in respect of the relevant Note shall be discharged.
- g) If, in accordance with CLN Term 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 Noteholder, the Issuer or any person holding such assets on behalf of the Issuer shall continue to be the legal owner of those assets. None of the Issuer and any such other person shall (i) be under any obligation to deliver or procure delivery to such Noteholder 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 Noteholder or subsequent transferee for any loss, liability, damage, cost or expense that such Noteholder 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 Notes and the number of Notes which are the subject of such notice;
  - iii) in the event such Notes are represented by a Global Note:
    - (A) specify the number of the Noteholder's account at the relevant clearing system to be debited with such Notes; and
    - (B) irrevocably instruct and authorise the relevant clearing system to debit the relevant Noteholder's account with such Notes on the due date for redemption of the Notes;
  - 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 Noteholders in accordance with CLN Term 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 Issuer delivers an amended Notice of Physical Settlement, in which case, the relevant Noteholder may deliver an amended Asset

Transfer Notice. After delivery of the first Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

Failure properly to complete and deliver an Asset Transfer Notice and, in the case of Definitive Notes, to deliver the relevant Note, 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 CLN Terms shall be made by the 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 Noteholder.

If any Noteholder fails to properly complete and deliver an Asset Transfer Notice, the 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 Noteholder 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 Issuer shall not Deliver and the relevant Noteholder shall not be entitled to receive in respect of its Notes that fraction of an asset which is less than a whole number (the “**Fractional Entitlement**”) and (ii) the Issuer shall pay to the relevant Noteholder 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 Noteholder and shall, unless otherwise specified in the applicable Note Final Terms, at the option of each Noteholder as specified in the Asset Transfer Notice either be:
  - (A) paid to the Issuer by such Noteholder prior to the Delivery of the Relevant Proportion of the Deliverable Obligation(s) (and, for the avoidance of doubt, the Issuer shall not be required to Deliver any portion of the Deliverable Obligation(s) to such Noteholder until it has received such payment); or
  - (B) deducted by the Issuer from the amount which may be payable to such Noteholder in accordance with CLN Term 5(i).

If there is not a cash amount owing from the Issuer under such Note to a Noteholder sufficient to cover the Delivery Expenses and, if applicable, its *pro rata* share of the

Hedge Unwind Costs, the 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 Note from which the Issuer shall deduct such amounts. Each Note will then be redeemed by delivery of the remaining portion of the Deliverable Obligation(s) in respect of such Note and, if applicable, payment of a cash amount in respect of any Fractional Entitlement arising, together with any other amounts to which such Noteholder is entitled upon redemption of such Note.

- k) The Issuer shall not be under any obligation to register or procure the registration of any Noteholder 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 Noteholder 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 CLN Term 7 (*Suspension Terms*) and CLN Term 8 (*Reversals and Adjustments to Credit Event Determination Dates*), if (i) “Auction Settlement” is specified as the Settlement Basis in the applicable Note Final Terms or (ii) “Cash or Physical Settlement or Auction Settlement” is specified as the Settlement Basis in the applicable Note Final Terms (and Auction Settlement is elected by the Issuer in the Issuer Credit Event Notice), on the Auction Cash Settlement Date the Issuer shall, subject as aforesaid, redeem each Note by payment of the Auction Cash Settlement Amount.
- b) The Auction Cash Settlement Amount in respect of each Note shall be the amount specified as such in the applicable Note 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) the outstanding principal amount of such Note multiplied by the Auction Final Price, provided that if the applicable Note 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.
- c) Without prejudice to the foregoing, but without duplication of settlement, if the Calculation Agent determines:
  - i) except where the 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 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 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 Note Final Terms, redeem each Note in accordance with CLN Term 4 (if Cash Settlement is specified in the relevant Final Terms as the Fallback Settlement Basis) or in accordance with CLN Term 5 (if Physical Settlement is specified in the relevant Note 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 Note 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 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 Notes 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 Issuer in the Notice to Exercise Movement Option. If a Notice to Exercise Movement Option is delivered by the Issuer, all references in these CLN Terms 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 CLN Terms 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 Issuer determines that a Suspension Event has occurred, the timing requirements relating to Notices of Physical Settlement and the timing requirements of CLN Terms 1 to 5 (inclusive), as applicable, or any other provision of these CLN Terms and the Notes that pertains to redemption and settlement, shall toll and remain suspended until the Suspension Event Cessation Date. During such suspension period, the Issuer is not obliged to take any action in connection with the redemption and settlement of the Notes. 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 CLN Term 7. Without prejudice to any amounts payable pursuant to CLN Term 8 (*Reversals and Adjustments to Credit Event Determination Dates*), no additional amounts shall be payable by the Issuer in connection with any such suspension.

8. **REVERSALS AND ADJUSTMENTS TO CREDIT EVENT DETERMINATION DATES**

- a) Notwithstanding anything to the contrary in these CLN Terms, 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 Notes, 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 Note 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 Notes are redeemed pursuant to CLN Term 4 (*Cash Settlement*) or CLN Term 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 Notes are redeemed pursuant to CLN Term 5 (*Physical Settlement*), the Adjustment Amount (if any) shall be deemed to be a Delivery Expense for the purposes of CLN Term 5(j).

- c) Without prejudice to CLN Term 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 Notes, as applicable, then the Credit Event Determination Date originally determined for the purposes of the Notes 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 CLN Term 9, if a Credit Event Determination Date Reversal occurs, each Note shall recommence to accrue interest (in accordance with the Base Conditions) from the Interest Payment Date (the **“Interest Recommencement Date”**) immediately following the relevant Applicable DC No Credit Event Announcement, and an amount equal to the Additional Interest Amount shall be payable on such Interest Recommencement Date.

9. **INTEREST PAYMENT DATE AND MATURITY DATE POSTPONEMENT**

- a) If Interest Payment Date Postponement is specified as being applicable in the Final Terms and in respect of any Interest Payment Date (including the Scheduled Maturity Date):
- i) a Credit Event Determination Date has occurred on or prior to the relevant Interest Payment Cut-off Date, interest shall cease to accrue on (but excluding) the date of such occurrence, such accrued interest being payable on the Cash Settlement Date, Physical Settlement Date or Auction Cash Settlement Date, as the case may be (and no amount of interest otherwise payable on the relevant Interest Payment Date shall be due or payable); and
  - ii) an Uncured Default exists on the relevant Interest Payment Cut-off Date, the interest payment payable on the relevant Interest Payment Date shall be suspended and either (as applicable):
    - (x) if, after the relevant Interest 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 interest which would have been payable on such Interest Payment Date in the absence of such Uncured Default shall be payable on the Deferred Interest 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, interest shall be deemed to have ceased to accrue on (but excluding) the date of such occurrence, such accrued interest being payable on the Cash Settlement Date, Physical Settlement Date or Auction Cash Settlement Date, as the case may be (and no amount of interest which would otherwise have been payable in the absence of such Uncured Default shall be due or payable).

- b) If, an Applicable Request in respect of a Credit Event is made on or prior to any Interest Payment Cut-off Date or the Scheduled Maturity Date in respect of which an Applicable Resolution has not been published, the payment of interest (if any) scheduled to be paid to Noteholders on the relevant Interest Payment Date (including the Scheduled Maturity Date), will be suspended. 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 Interest Payment Date (including the Scheduled Maturity Date), or (ii) an Applicable DC No Credit Event Announcement is made, payment of the suspended interest 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 Interest Payment Date or the Maturity Date, no payment of the suspended interest will be made.
- c) No additional amount in respect of interest and no adjustment shall be made to the amount of any interest in connection with the delay or postponement of any payment of interest pursuant to CLN Terms 9(a) and (b) above. The Issuer shall endeavour to give notice to the Noteholders in accordance with Base Condition 13 (*Notices*) as soon as reasonably practicable should any payment of interest be suspended and/or postponed pursuant to this CLN Term 9. Notwithstanding any other provisions, no interest shall accrue after the Scheduled Maturity Date.
- d) Unless otherwise specified in the applicable Note Final Terms, if, on or prior to the Scheduled Maturity Date, the Calculation Agent determines that:
- i) a Credit Event has occurred or may occur on or prior to the Scheduled Maturity Date;
  - ii) Repudiation/Moratorium is listed as a Credit Event in the applicable Final Terms and “Repudiation/Moratorium Scheduled Maturity Date Postponement” is stated as being applicable in the applicable Note Final Terms, a Potential Repudiation/Moratorium has occurred or may occur on or prior to the Scheduled Maturity Date; and/or
  - iii) Failure to Pay is listed as a Credit Event in the applicable Note Final Terms and a Potential Failure to Pay has occurred or may occur on or prior to the Scheduled Maturity Date; and/or
  - iv) an Applicable Request has been made on or prior to the Scheduled Maturity 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 Scheduled Maturity Date (each such event a “**Maturity Date Postponement Event**”), the Calculation Agent may deliver an Extension Notice to the

Issuer (and the Issuer shall endeavour to give notice to the Noteholders in accordance with Base Condition 13 (*Notices*) as soon as reasonably practicable following receipt of such Extension Notice) and the Maturity Date shall be postponed to the Extended Maturity Date, subject to the provisions of CLN Terms 2 and 9(f).

- e) The payments of any accrued but unpaid interest scheduled to be paid on the Scheduled Maturity Date will not be paid and shall be postponed pursuant to the foregoing. No adjustment shall be made to the amount of any interest as a result of any such delay as described in CLN Term 9(d) above.
- f) In the circumstances described in CLN Term 9(d) above, if a Credit Event occurs during the Credit Observation Period and the Conditions to Settlement are satisfied (subject to CLN Term 8 (*Reversals and Adjustments to Credit Event Determination Dates*)), each Note shall be redeemed pursuant to CLN Terms 4, 5 or 6, as applicable. If the Conditions to Settlement are not satisfied during the Credit Observation Period and no other relevant Maturity Date Postponement Event(s) are outstanding, each Note shall be redeemed at its Final Redemption Amount on the Final Payment Date.
- g) For the purposes of this CLN Term 9, a Maturity 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 Issuer of such calculation. A copy of

the notice of any determination of a Successor shall be given to Noteholders in accordance with Base Condition 13 (*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 Noteholders in accordance with Base Condition 13 (*Notices*).
- c) Where the Notes are Single Name Credit-Linked Notes:
  - 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 Notes, 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 CLN Terms 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 Note shall thereafter be redeemed in part (such redeemed part being equal to the relevant proportion of the Partial Principal Amount).
  - iii) The Notes shall be deemed to be redeemed *pro rata* in an amount equal to the Partial Principal Amount only. The Notes in an amount equal to the outstanding principal amount of the Notes less the Partial Principal Amount shall remain outstanding (the “**Remaining Amount**”) and interest shall accrue on the Remaining Amount as provided for in the Base Conditions and the applicable Note 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 CLN Terms 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 Notes are Basket Credit-Linked Notes:
  - 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 Notes, 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 Notes will be redeemed in accordance with the provisions of these CLN Terms relating to Basket Credit-Linked Notes.
  - iii) Where a Credit Event occurs in respect of a Successor Reference Entity, the provisions of these CLN Terms 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 Note 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 Notes as of the Issue Date.
  - iv) Following a partial redemption of the Notes pursuant to sub-paragraph (iii) above, interest shall accrue on the remaining outstanding principal amount of the Notes equal to the aggregate outstanding principal amount immediately prior to the redemption as provided for in these CLN Terms (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
  - v) The provisions of these CLN Terms 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 CLN Term 7(b) shall apply to each Succession Event.
- e) Where the Notes are First-to-Default Credit-Linked Notes or Nth-to-Default Credit-Linked Notes:
  - 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 Notes (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 Notes to be redeemed in full in accordance with the provisions of these CLN Terms; provided that, in the case of Nth-to-Default Credit-Linked Notes, 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 Notes 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 CLN Terms shall be deemed to apply to the Partial Principal Amount of the Notes represented by the relevant Successor Reference Entity only; provided that, in the case of Nth -to-Default Credit-Linked Notes, 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 Notes 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 Notes as of the Issue Date.
- iv) Subject as provided in CLN Term 9 (*Interest Date and Maturity Date Postponement*), following a partial redemption of the Notes pursuant to subparagraph (iii) above, interest shall accrue on the remaining outstanding principal amount of the Notes immediately following the partial redemption as provided for in the Base Conditions and these CLN Terms (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
- v) The provisions of these CLN Terms 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 CLN Term 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 Notes, that Reference Entity shall be deemed to be specified only once.
- g) Save as otherwise provided in the applicable Note 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 Note Final Terms, in the event that (x) the Issuer becomes a Successor to any Reference Entity as a result of the application of the foregoing provisions, (y) the Issuer and any Reference Entity become Affiliates or (z) the 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 Issuer (as applicable), then the Issuer shall forthwith give notice of such circumstance to Noteholders in accordance with Base Condition 13 (*Notices*). In such event, the Issuer may, but shall not be obliged to, on giving not more than thirty (30) nor less than fifteen (15) days' notice to Noteholders in accordance with Base Condition 13 (*Notices*) (the "**Seller Merger Notice**"), redeem all but not some of the Notes at the Early Redemption Amount specified in the Seller Merger Notice.
- i) The applicable Note Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.
- j) If one or more of the Successors to the Reference Entity have not assumed the Reference Obligation (if any) specified in the applicable Note 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 Note 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 Note 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 Note Final Terms and (iii) a Restructuring Credit Event occurs, unless otherwise specified in such Note Final Terms, the 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 Notes 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 Notes outstanding immediately prior to the delivery of such Credit Event Notice will be deemed to have been specified as the Exercise Amount. Notwithstanding anything to the contrary in these CLN Terms, where a Restructuring Credit Event has occurred and the Issuer has delivered a Credit Event Notice for an amount that is less than the aggregate outstanding principal amount of the Notes immediately prior to the delivery of such Credit Event Notice, the provisions of these CLN Terms 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 Note 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 Note Final Terms.

- b) The Notes shall be deemed to be redeemed *pro rata* in an amount equal to the Exercise Amount only. The Notes in an amount equal to the aggregate outstanding principal amount of the Notes (immediately prior to the redemption thereof) less the Exercise Amount shall remain outstanding (the “**Outstanding Amount**”) and interest shall accrue on the Outstanding Amount as provided for in the Base Conditions, these CLN Terms and the applicable Note 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 Notes 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 Notes are denominated or any integral multiple thereof or the entire then outstanding principal amount of the Notes at such time.
- d) For the avoidance of doubt, in the case of a First-to-Default Credit-Linked Note, 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 Note, 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.
- 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 CLN Term 11 apply in respect of the Notes, on redemption of part of each such Note, the relevant Note or, if the Notes are represented by a Global Note, such Global Note shall be endorsed to reflect such partial redemption.

## 12. THE CALCULATION AGENT

The Calculation Agent shall be responsible for making all relevant determinations as set out in these CLN Terms and as applicable in the relevant Note Final Terms.

The Calculation Agent shall, as soon as practicable after obtaining any Quotation (if applicable), notify the Noteholders in writing of each such Quotation that it receives in connection with the calculation of the Final Price and shall provide to the Noteholders a written computation showing its calculation of the Final Price.

Neither the Calculation Agent nor the Issuer shall have any responsibility to the Noteholders for good faith errors or omissions in the Calculation Agent's calculations and determinations as provided in the Base Conditions and in these CLN Terms, 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 Note 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 or invalidity 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 BASE CONDITIONS

For the purposes of Credit-Linked Notes:

- a) if Interest Period End Dates are specified in the applicable Note Final Terms, then, notwithstanding Condition 4(a) (*Definitions*) of the Base Conditions, “Fixed Interest Period” and “Interest Period” shall mean the period from (and including) an Interest Period End Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Period End Date. In such circumstances, interest shall accrue on the Notes at the Rate of Interest during the relevant Fixed Interest Period or Interest Period (as the

case may be) and shall be payable on the Interest Payment Date or Specified Interest Payment Date (as the case may be) immediately following such Fixed Interest Period or Interest Period (as the case may be); and

- b) references to “Interest Payment Date” in the definition of “Day Count Fraction” in Condition 4 (*Interest and Other Calculations*) of the Base Conditions shall be construed as references to “Interest Period End Date” as defined in these CLN Terms.

#### 14. DEFINITIONS

For the purposes of these CLN Terms, 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 Interest Amount**” means an amount in the Specified Currency determined by the Calculation Agent in respect of each Note equal to the sum of:

- a) each amount of interest that would have been payable in respect of each Note, but for the operation of CLN Term 9 (*Interest Payment Date and Maturity Date Postponement*) and the original determination of the Credit Event Determination Date, on each Interest Payment Date falling after the date originally determined to be the Credit Event Determination Date, to and including the Interest Recommencement Date; and
- b) interest 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 Interest Payment Date on which the relevant amount of interest that would have been paid but for the operation of CLN Term 9 (*Interest Payment Date and Maturity Date Postponement*) and the original determination of the Credit Event Determination Date to, but excluding, the Interest Recommencement Date. For the avoidance such interest will be compounded on a daily basis.

**“Adjustment Amount”** means an amount in the Specified Currency determined by the Calculation Agent in respect of each Note equal to the sum of:

- a) each amount of interest in respect of each Note that would not have been paid (if any) on any Interest Payment Date to Noteholders had the earlier Credit Event Determination Date been the date originally determined as the Credit Event Determination Date; and
- b) interest 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 Interest Payment Date on which the relevant interest amount was paid to, but excluding, the date on which the Notes are redeemed. For the avoidance such interest 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.

**“Alternative Settlement Notice”** shall have the meaning specified in CLN Term 4(e).

**“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 Notes (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 scheduled maturity date of the Notes 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 Issuer has entered or may enter into in connection with the Notes).

**“Applicable Credit Derivatives Auction Settlement Terms”** means with respect to a Reference Entity, a Credit Event and an Applicable Auction, the Credit Derivatives Auction Settlement Terms (if any) which the Calculation Agent determines are relevant to the Notes (for which purpose the Calculation Agent may take into account (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 Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes). The Calculation Agent shall, as soon as practicable after the relevant Applicable Credit Derivatives Auction Settlement Terms are published, notify the Issuer that Applicable Credit Derivatives Auction Settlement Terms have been published with respect to a Reference Entity and a Credit Event and make a copy thereof available for inspection by Noteholders at the specified office of the Paying Agents.

**“Applicable DC Credit Event Announcement”** means a DC Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (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 Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes). An Applicable DC Credit Event Announcement will be deemed not to have occurred with respect to the Notes 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 Notes (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 Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

**“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 Notes (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 Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

**“Applicable Resolution”** means a Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (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 Notes and (b) any hedging transaction that the Issuer has entered or may enter into in connection with the Notes).

**“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 CLN Term 5(h), issued by a Noteholder to the Issuer, in connection with a redemption of any Note 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 Note, the amount determined in accordance with CLN Term 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 Note Final Terms, as determined by the 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 Notes 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 Noteholders 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 Note”** means *pro rata* default basket Credit-Linked Notes where the Issuer purchases credit protection from the Noteholders 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 two or more Reference Entities, the Notes will be redeemed in accordance with the relevant Settlement Basis.

**“Best Rate Currency”** means the best of the rates of exchange obtained by the Calculation Agent from three Dealers equal to the rate of conversion of the currency of the Deliverable Obligation into the Relevant Currency, provided that if none of the 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 Note Final Terms.

**“Cash Settlement Amount”** means, in respect of each Note, the amount determined in accordance with CLN Term 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 Note 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 Note 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 Notes are First-to- Default Credit-Linked Notes, 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 Notes are N<sup>th</sup> -to-Default Credit-Linked Notes, 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.

**“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 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 Note 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 or invalidity with respect to any Obligation, or, as applicable, any Underlying Obligation however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar 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 Note Final Terms, the Notice of Publicly Available Information are delivered by the 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 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 Note Final Terms, the Notice of Publicly Available Information are delivered by the 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 Note 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 Note 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 Note 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 Note Final Terms or (z) the relevant Credit Event is a Restructuring; and
  - (2) the Credit Event Notice is delivered by the 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 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 Note Final Terms;
    - (2) the relevant Credit Event is not a Restructuring;
    - (3) “Auction Settlement” is not specified as the Settlement Basis in the applicable Note 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 Note Final Terms; and
    - (2) either (y) “Auction Settlement” is not specified as the Settlement Basis in the applicable Note Final Terms; or (z) if “Auction Settlement” is specified as the Settlement Basis in the applicable Note Final Terms, the Credit Event Notice is delivered by the 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 Notes 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 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 Notes then outstanding.

**“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 Note 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 Note”** means Notes which are 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 Note 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 Specified Currency and is specified in these CLN Terms to be determined by reference to a Currency Amount, such amount converted to the relevant Specified 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 Notes 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.

**“Dealer”** means a dealer (other than the Issuer or any Affiliate of the 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.

**“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 Interest 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 Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set 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 Noteholder 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 Note Final Terms) described by the Deliverable Obligation Category specified in the applicable Note Final Terms (but excluding any Excluded Deliverable Obligation) and, subject to CLN Term 5 (*Physical Settlement*), having one or more of the Deliverable Obligation Characteristics specified in the applicable Note 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 Note 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 Note 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 Note 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 Note 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 CLN Term 5(j).

**“Direct Loan Participation”** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of a contractual right in favour of the Noteholder that provides such Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between such Noteholder and either (a) the Issuer (to the extent the Issuer is then a lender or a member of the relevant lending syndicate), or (b) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate).

**“Domestic Currency”** means the currency specified as such in the applicable Note 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 Entity Type Standard Terms to the Notes, each Reference Entity designated as one of the following in the Note 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 Note Final Terms.

**“Exercise Amount”** has the meaning set out in CLN Term 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 Note 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 Note Final Terms and:
  - (i) 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 Maturity 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 Note Final Terms) after:

- a) if such notice was given pursuant to clause (a) of the definition of Extension Notice, the Scheduled Maturity 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 Note 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 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 Scheduled Maturity Date; or
- b) that a Potential Failure to Pay has occurred or may occur on or prior to the Scheduled Maturity Date. For the purposes of this clause (b), the giving of a Grace Period Extension Notice (if on or prior to the Scheduled Maturity 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 Scheduled Maturity Date. For the purposes of this clause (c), the giving of a Repudiation/Moratorium Extension Notice (if on or prior to the Scheduled Maturity 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 Scheduled Maturity 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 CLN Term 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 Notes for which “Auction Settlement” is specified as the Settlement Basis in the applicable Note Final Terms, the Fallback Settlement Basis specified in such Note 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 Note Final Terms.

**“First-to-Default Credit-Linked Notes”** means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders 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 Notes will be redeemed in accordance with the relevant Settlement Basis.

**“Fractional Entitlement”** shall have the meaning specified in CLN Term 5(i).

**“Full Quotation”** means, in accordance with the Quotation Method, a firm quotation obtained from a 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 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 Note 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 Note 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 Note Final Terms, Notice of Publicly Available Information, by the Issuer to the Noteholders delivered on or before the Maturity 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 Issuer to the Noteholders 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 13 (*Notices*).

**“Hedge Unwind Costs”** means, with respect to any Series of Notes in respect of which “Hedge Unwind Adjustment” is specified as applying in the applicable Note Final Terms, the costs of unwinding any associated hedging 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.

**“Interest Payment Cut-off Date”** means in respect of the Notes and any date which is an Interest Payment Date, the third Payment Business Day preceding such Interest Payment Date and in respect of any date which is not an Interest Payment Date, the third Business Day preceding the Maturity Date.

**“Interest Period End Date”** means each date specified as such in the applicable Note Final Terms, provided that if no dates are so specified, the Interest Period End Dates shall be each Interest Payment Date.

**“Interest Recommencement Date”** shall have the meaning specified in CLN Term 8 (*Reversals and Adjustments to Credit Event Determination Dates*).

“**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 CLN Term 5(f)(ii)(A), is thirty calendar days after the Physical Settlement Date and, in respect of CLN Term 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 Note Final Terms.

“**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 Note 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 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 Note 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 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 Notes and Auction Settlement in respect of a Reference Entity and a Credit Event (for which purpose the 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 Notes and (b) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

**“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 Notes for which Auction Settlement is specified as the Settlement Basis in the applicable Note 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 Note 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 Note 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 Note 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 Issuer to the Calculation Agent and the Noteholders in accordance with Base Condition 13 (*Notices*). A Notice of Physical Settlement shall be subject to the requirements regarding notices contained in CLN Term 3 (*Notices*). A Notice of Physical Settlement shall contain:

- a) a detailed description of each Deliverable Obligation that the Issuer reasonably expects to Deliver to the Noteholders, 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 Note 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 Issuer of a Notice of Physical Settlement to the Calculation Agent that is effective subject, where applicable, to CLN Term 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 Note 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 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 Noteholders 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 CLN Term 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 CLN Term 4(c)(ii), a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable with respect to Notes 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 Notes, the numbered Reference Entity with respect to which a Credit Event Determination Date must have occurred in order for the Notes to be redeemed in accordance with the applicable Settlement Basis. For example, if the applicable Final Terms specify that the Notes are Second-to-Default Credit-Linked Notes, 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 Notes”** means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders 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 Notes 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 Note 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 Note Final Terms as an Excluded Obligation and (c) any other obligations of the Reference Entity as specified in the applicable Note 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 Note 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 Note Final Terms; provided that (i) if the applicable Note Final Terms specifies the Obligation Category as being Reference Obligations

Only, then no Obligation Characteristics shall be applicable; (ii) in any case, the applicable Note 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 CLN Term 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 Note 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 Notes and the Calculation Agent determines that the related Auction would not be an Applicable Auction for the purposes of the Notes.

**“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 CLN Term 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 Note 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 CLN Term 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 Note Final Terms) and as published by ISDA.

**“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 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 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:

- (A) in relation to any information of the type described in (b), (c) and (d) above, each Noteholder 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 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 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 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 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 Note Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
  - ii) “Exclude Accrued Interest” is specified in the applicable Note 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 Note 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 Note 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

Notes or (b) in the case of a Restructuring (if applicable), an amount equal to the relevant Exercise Amount.

**“Quotation Method”** means that only bid quotations shall be requested from Dealers in obtaining Quotations.

**“Recovery Amount”** means, save as otherwise specified in the applicable Note Final Terms, an amount in the Relevant Currency divided by the Specified Denomination 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 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 Notes or (b) in the case of a Restructuring (if applicable), an amount equal to the relevant Exercise Amount, subject to deduction of any amount of any taxes, fees, or costs that may be incurred by the Issuer. For the avoidance of doubt, in the event that there is more than one Reference Obligation, the 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 Note Final Terms.

**“Relevant City Business Day”** has the meaning given to that term in the Rules.

**“Relevant Currency”** has the meaning set out in the applicable Note Final Terms, provided that if no such currency is specified, the Relevant Currency shall be the Specified Currency.

**“Relevant Jurisdiction”** has the meaning set out in the applicable Note Final Terms.

**“Relevant Proportion”** means the proportion which the principal amount of the Note or Notes the subject of an Asset Transfer Notice bears to the aggregate principal amount of all Notes 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 CLN Term 7(c)(iii).

**“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 Note Final Terms, a Notice of Publicly Available Information, by the Issuer to Noteholders in accordance with these CLN Terms prior to the Scheduled Maturity Date.

In all cases, the Calculation Agent may determine that the Repudiation/Moratorium Extension Condition has not been satisfied, or is not capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the

Scheduled 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 Issuer to the Noteholders in accordance with these CLN Terms 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 CLN Term 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 Scheduled Maturity 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 Note Final Terms.

“**Settlement Basis**” means Cash Settlement, Physical Settlement and/or Auction Settlement, as specified in the applicable Note 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 Notes”** means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders 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 Notes 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 Note Final Terms (or, if Specified Currency is selected as an Obligation Characteristic or Deliverable Obligation Characteristic in the applicable Note 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 Note 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 Note 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 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 Note 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 Noteholders 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 subparagraph (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 subparagraph (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 subparagraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with subparagraph (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 subparagraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with subparagraph (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 Note Final Terms (or is applicable pursuant to the Fallback Settlement Basis in accordance with CLN Term 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 Note Final Terms (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Basis in accordance with CLN Term 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 Issuer shall redeem the Notes on the third Business Day following the Extension Date in accordance with Base Condition 6(a) (as modified by these CLN terms).

- 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 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 Note 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 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 the entire outstanding principal amount of the Notes 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 the entire outstanding principal amount of the Notes 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 portion of the outstanding principal amount of the Notes as at the date of the Succession Event subject to and in accordance with CLN Term 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 portion of the outstanding principal amount of the Notes as at the date of the Succession Event subject to and in accordance with CLN Term 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 CLN Terms 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 Notes.

**“Suspension Event Cessation Date”** means, with respect to a Suspension Event, the date on which the Calculation Agent determines that ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (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 Notes, each Reference Entity designated as one of the following in the Note 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 Note 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 CLN Term 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 Note Final Terms, subject to CLN Term 7 (*Suspension Terms*), the date that is the number of Business Days specified in the Note 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 CLN Term 6 (*Auction Settlement*), the date that is the number of Business Days specified in the applicable Note 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 Note Final Terms, subject to CLN Term 7 (*Suspension Terms*), each of the following dates:
  - i) the date that is the number of Business Days specified in the Note 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 CLN Term 6 (*Auction Settlement*), the date that is the number of Business Days specified in the applicable Note 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 Note 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 Note Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Note Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither **“Single Valuation Date”** nor **“Multiple Valuation Dates”** is specified in the applicable Note Final Terms, Single Valuation Date shall apply.

**“Valuation Method”** means Market or Highest, as specified in the applicable Note 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 Note 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 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.



## ADDITIONAL TERMS FOR PHYSICAL DELIVERY NOTES

Notwithstanding any provisions of the terms and conditions of the Notes set out above (the “**Base Conditions**”), the following are the Additional Terms for Physical Delivery Notes (the “**Physical Delivery Note Terms**”) which modify and supplement the Base Conditions and will apply in respect of Physical Delivery Notes that are issued under the Programme to the extent so specified in the relevant Note Final Terms.

All capitalised terms not otherwise defined herein shall have the meanings given to them in the relevant Note Final Terms. In the event of any inconsistency between the Base Conditions and these Physical Delivery Note Terms, the Physical Delivery Note Terms set out below shall prevail. In the event of any inconsistency between (i) the Base Conditions and/or the Physical Delivery Note Terms and (ii) the applicable Note Final Terms, the applicable Note Final Terms shall prevail.

### 1. **APPLICABILITY**

These Physical Delivery Note Terms shall not apply in respect of Credit Linked Notes (in respect of which physical settlement should be governed by paragraph 5 of the General Terms for Credit Linked Notes).

### 2. **FINAL REDEMPTION AND MATURITY DATE**

Base Condition 5(b) (*Maturities/Final Redemption*) shall not apply and instead the provisions of this Physical Delivery Note Term 1 shall apply.

Unless previously redeemed, purchased and cancelled as provided below in accordance with Base Condition 5(f) (*Redemption at the option of the Issuer*) or Base Condition 5(h) (*Redemption at the option of holders of Notes*) or unless its maturity is extended pursuant to an option of the Issuer or holders of Notes and without prejudice of Base Condition 5(g) (*Redemption and purchase of Subordinated Notes*) relating to the redemption of Subordinated Notes, each Note will be redeemed by delivery of the Entitlement (subject as provided below) specified in or determined in the manner specified in the applicable Note Final Terms on the Maturity Date.

### 3. **DELIVERY OF ENTITLEMENT AND ASSET TRANSFER NOTICES**

In order to obtain delivery of the Entitlement(s) in respect of any Note:

(i) if such Note is represented by a Global Note, the relevant Holder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Fiscal Agent and the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice substantially in the form set out in the Issue and Paying Agency Agreement (the “**Asset Transfer Notice**”); and

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

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

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

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

The Issuer shall at the risk of the relevant Holder deliver the Entitlement in respect of each Note in such commercially reasonable manner as the Issuer shall, in its sole discretion, determine to be appropriate for such delivery.

All expenses including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities, transfer and/or other taxes or duties (together “**Expenses**”) arising from the redemption of the Notes and the delivery of any Entitlement shall be for the account of the relevant Holder and no delivery and/or transfer of any Entitlement shall be made until all Expenses have been paid to the satisfaction of the Issuer by the relevant Holder.

An Asset Transfer Notice must:

- (i) specify the name, address and contact telephone number of the relevant Holder and the person from whom the Issuer may obtain details for the delivery of the Entitlement if such delivery is to be made otherwise than in the manner specified in the applicable Note Final Terms;
- (ii) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Holder’s account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Holder’s account with such Notes on or before the Maturity Delivery Date (as defined below);
- (iii) include an undertaking to pay all Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Holder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Expenses;
- (iv) include such details as are required by the applicable Note 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 number of the Holder’s account to be credited with any cash payable by the Issuer, in respect of any cash amount constituting the Entitlement or any dividends relating to the Entitlement, as a result of the occurrence of a Settlement Disruption Event or a Failure to Deliver due to Illiquidity and the Issuer electing to pay the Disruption Cash Settlement Price or Failure to Deliver Settlement Price, as applicable;
- (v) certify that the beneficial owner of each Note is not a United States Person (as defined in the Asset Transfer Notice), the Note is not being redeemed within the United States or on behalf of a United States 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 United States Person in connection with any redemption thereof; and

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

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

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

Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, will confirm to the Fiscal Agent the series number and number of Notes the subject of such notice, the relevant account details (if applicable) and the details for the delivery of the Entitlement in respect of each such Note. Upon receipt of such confirmation, the Fiscal Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, will on or before the Maturity Delivery Date debit the securities account of the relevant Holder with the Notes the subject of the relevant Asset Transfer Notice.

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

If such Asset Transfer Notice is subsequently corrected to the satisfaction of Euroclear or Clearstream, Luxembourg, as the case may be, or the relevant Paying Agent, in each case in consultation with the Fiscal Agent and the Issuer, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

Euroclear, Clearstream, Luxembourg or the relevant Paying Agent, as applicable, shall use its best efforts promptly to notify the Holder submitting an Asset Transfer Notice if, in consultation with the Fiscal Agent and the Issuer, it has determined that such Asset Transfer Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Guarantor, the Paying Agents, Euroclear, Clearstream, Luxembourg or the Fiscal 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 Holder.

The Entitlement will be delivered at the risk of the relevant Holder, in the manner provided above on the Maturity Date (such date, subject to adjustment in accordance with these Physical Delivery Note Terms, the “**Maturity Delivery Date**”), provided that the Asset Transfer Notice is duly delivered to Euroclear, Clearstream, Luxembourg or a Paying Agent, as the case may be, with a copy to the Fiscal Agent and the Issuer, as provided above, not later than the close of business in each place of receipt on the Cut-Off Date.

If an Asset Transfer Notice is delivered to Euroclear, Clearstream, Luxembourg or a Paying Agent, as the case may be, with a copy to the Fiscal Agent and the Issuer, later than the close of business in each place of receipt on the Cut-Off Date, then the Entitlement will be delivered as soon as practicable after

the Maturity Date (in which case, such date of delivery shall be the Maturity Delivery Date) at the risk of such Holder in the manner provided above. Provided that if in respect of a Note an Asset Transfer Notice is not delivered to Euroclear, Clearstream, Luxembourg or a Paying Agent, as the case may be, with a copy to the Fiscal Agent and the Issuer, later than the close of business in each place of receipt on the 90th calendar day following the Cut-off Date the Issuer's obligations in respect of such Note and the Guarantor's obligations in respect of the Guarantee in respect of such Note shall be discharged and no further liability in respect thereof shall attach to the Issuer or the Guarantor. For the avoidance of doubt, in such circumstances such Holder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Maturity Delivery Date falling after the originally designated Maturity Delivery Date and no liability in respect thereof shall attach to the Issuer or the Guarantor.

Delivery of the Entitlement in respect of the Notes is subject to all applicable laws, regulations and practices in force on the Maturity Delivery Date and none of the Issuer, the Guarantor or any of its Affiliates or agents and the Paying Agents 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 Issuer, the Guarantor or any of its Affiliates or agents and the Paying Agents shall under any circumstances be liable for any acts or defaults of Euroclear or Clearstream, Luxembourg in relation to the performance of their duties in relation to the Notes.

For such period of time after the Maturity Delivery Date as any person other than the relevant Holder shall continue to be the legal owner of the securities, obligations comprising the Entitlement (the "**Intervening Period**"), none of the Issuer, the Guarantor nor any other such person shall (i) be under any obligation to deliver or procure delivery to the relevant Holder or any subsequent beneficial owner of such Note any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities, obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such securities, obligations during the Intervening Period or (iii) be under any liability to the relevant Holder, or any subsequent beneficial owner of such Note in respect of any loss or damage which the relevant Holder, or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of such securities, obligations or Deliverable Obligations during such Intervening Period.

Where the Entitlement comprises shares, any dividend or other distribution in respect of such Entitlement will be payable to the party that would receive such dividend or other distribution according to market practice for a sale of the Share executed on the Maturity Delivery Date and to be delivered in the same manner as the Entitlement. Any such dividend or other distribution to be paid to a Holder shall be paid to the account specified in the relevant Asset Transfer Notice.

Where the Entitlement is, in the determination of the Issuer, an amount other than an amount of Relevant Assets capable of being delivered, the Holders will receive an Entitlement comprising of the nearest number (rounded down) of Relevant Assets capable of being delivered by the Issuer (taking into account that a Holder's entire holding may be aggregated at the Issuer's discretion for the purpose of delivering the Entitlements), and in respect of the amount of Relevant Assets not capable of being delivered, an amount in the Specified Currency which shall be the value of the amount of the Relevant Assets so rounded down, as calculated by the Calculation Agent in its sole discretion from such source(s) as it may select (converted if necessary into the Specified Currency by reference to such exchange rate as the Calculation Agent deems appropriate).

#### 4. SETTLEMENT DISRUPTION EVENT

The provisions of this Physical Delivery Note Term shall apply to Physical Delivery Notes. If, prior to the delivery of the Entitlement in accordance with these Physical Delivery Note Terms, a Settlement Disruption Event is subsisting, then the Maturity Delivery Date in respect of such Note shall be postponed until the next Settlement Business Day on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Holder, in accordance with Base Condition 13. Such Holder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Entitlement pursuant to these Physical Delivery Note Terms. Where delivery of the Entitlement has been postponed as provided in the Physical Delivery Note Terms the Issuer shall not be in breach of these Physical Delivery Note Terms and no liability in respect thereof shall attach to the Issuer or the Guarantor.

For so long as delivery of the Entitlement in respect of any Note is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Holder of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election (the “**Election Notice**”) is given to the Holders in accordance with Base Condition 13.

#### 5. FAILURE TO DELIVER DUE TO ILLIQUIDITY

If Failure to Deliver due to Illiquidity is specified as applying in the applicable Note Final Terms and, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets comprising the Entitlement (the “**Affected Relevant Assets**”), where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a “**Failure to Deliver due to Illiquidity**”), then:

(i) subject as provided elsewhere in the Physical Delivery Note Terms and/or the applicable Note Final Terms, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Maturity Delivery Date in accordance with the Physical Delivery Note Terms; and

(ii) in respect of any Affected Relevant Assets, notwithstanding any other provision hereof, the Issuer may elect in its sole discretion, in lieu of delivery of the Affected Relevant Assets, to pay to the relevant Holder the Failure to Deliver Settlement Price (as defined below) on the fifth Business Day following the date the Failure to Deliver Notice (as defined below) is given to the Holders in accordance with Base Condition 13. The Issuer shall give notice (such notice a “**Failure to Deliver Notice**”) as soon as reasonably practicable to the Holders in accordance with Base Condition 13 that the provisions of this Physical Delivery Note Term 5 apply.

#### 6. OPTION TO VARY SETTLEMENT

If the applicable Note Final Terms indicate that the Issuer has an option to vary settlement in respect of the Notes, the Issuer may at its sole and unfettered discretion in respect of each such Note, elect not to pay the relevant Holders the Final Redemption Amount or to deliver or procure delivery of the Entitlement to the relevant Holders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Final Redemption Amount on the Maturity Date to

the relevant Holders, as the case may be. Notification of such election will be given to Holders in accordance with Condition 13.

## 7. DEFINITIONS

For the purposes of these Physical Delivery Note Terms:

**“Disruption Cash Settlement Price”** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the fair market value of such Notes (but not taking into account any interest accrued on such Note and paid pursuant to Base Condition 4 and Base Condition 6) on such day as shall be selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 calendar days before the date that the Election Notice is given as provided above less the cost to the Issuer and/or its Affiliates or agents of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including the cost of funding in respect of such hedging arrangements), all as calculated by the Calculation Agent in its sole and absolute discretion.

**“Entitlement”** means, in relation to a Physical Delivery Note (other than a Credit Linked Note), the quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Holder is entitled to receive on the Maturity Delivery Date in respect of each such Note following payment of the Expenses, which quantity will be rounded down as provided in Physical Delivery Note Term 3, as determined by the Calculation Agent and includes any documents evidencing such Entitlement.

**“Failure to Deliver Settlement Price”** means, in respect of each nominal amount of the Notes equal to the Calculation Amount, the fair market value of the Affected Relevant Assets in respect of such Notes on the fifth Business Day prior to the date on which the Failure to Deliver Notice is given as provided above, less the cost to the 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 calculated by the Calculation Agent in its sole and absolute discretion.

**“Settlement Disruption Event”** means an event beyond the control of the Issuer or, if applicable, the Guarantor, as a result of which, in the opinion of the Calculation Agent or, if applicable, the Guarantor, delivery of the Entitlement by or on behalf of the Issuer or the Guarantor, as the case may be, in accordance with the Physical Delivery Note Terms and/or the applicable Note Final Terms is not practicable.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following is the text of the Terms and Conditions of the Securities which, as supplemented and/or amended in accordance with the applicable Securities Final Terms, will apply to each issue of Securities and be incorporated by reference into each Global Security. The applicable Securities Final Terms in relation to any issue of Securities may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, be deemed to be incorporated into and thereby supplement, replace or modify the Terms and Conditions, for the purposes of such Securities.*

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 up to Euro 40,000,000,000 in aggregate principal amount of notes (the "**Notes**") and the issue 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 Notes and Securities issued by Mediobanca International.

The Securities are issued pursuant to an amended and restated Issue and Paying Agency Agreement dated 13 January 2011, as amended or supplemented from time to time, (the "**Issue and Paying Agency Agreement**") between the Issuers and the Guarantor, BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent (the "**Fiscal Agent**") and principal paying agent (together with the Fiscal Agent and any additional or other paying agents in respect of the Securities from time to time appointed, the "**Paying Agent**") and with the benefit of deeds of covenant dated 13 January 2011 (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 Notes issued by Mediobanca International from time to time, executed and delivered a deed of guarantee (the "**Deed of Guarantee**") dated 13 January 2011 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 "**Securities Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Securities are these Conditions as supplemented, amended and/or replaced by the relevant Securities Final Terms. In the event of any inconsistency between these Conditions and the relevant Securities Final Terms, the relevant Securities Final Terms shall prevail. All subsequent references in these Conditions to "**Securities**" are to the Securities which are the subject of the relevant Securities Final Terms. Copies of the relevant Securities 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 Securities Final Terms issued in respect of each issue of Securities will specify whether the 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 Securities 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 and 20 apply only to Certificates. Other Conditions apply to Warrants or Certificates, as applicable. References herein to the applicable Securities Final Terms are to Part A of the Securities Final Terms or each Securities 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 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 any other or further type of Securities as is specified in the applicable Securities Final Terms. Certain terms which will, unless otherwise varied in the applicable Securities Final Terms, apply to Index Securities, Share Securities, Debt Securities or Commodity Securities are set out in Condition 13.

The applicable Securities 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 Securities Final Terms, the relevant Averaging Dates and, in respect of Shares Securities or Index Securities other than Index Securities relating to a Commodity Index 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**”)



or such other type as may be specified in the applicable Securities Final Terms and whether automatic exercise (“**Automatic Exercise**”) applies to the Warrants;

- (ii) whether the Warrants are call Warrants (“**Call Warrants**”) or put Warrants (“**Put Warrants**”) or such other type as may be specified in the applicable Securities Final Terms and whether the Warrants may only be exercisable in Units. If Units are specified in the applicable Securities 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 Securities Final Terms) at the 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 Securities Final Terms) at the Issuer's election to request physical delivery of the relevant underlying asset in settlement of such Security and where settlement is to be by way of physical delivery.

Securities may, if so specified and provided for in the applicable Securities Final Terms, allow holders to elect for settlement by way of cash payment or by way of physical delivery or by such other method of settlement as is specified in the applicable Securities Final Terms. Those Securities where the holder has elected for cash payment will be Cash Settled Securities and those Securities where the holder has elected for physical delivery will be Physical Delivery Securities. The rights of a holder as described in this paragraph may be subject to the Issuer's right to vary settlement if so indicated in the applicable Securities Final Terms.

(B) *Title to Securities*

Except as set out below, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular number of Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg 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 Issuer, the Paying Agents and the Calculation Agent as the holder of such number of Securities for all purposes (and the expressions “**Securityholder**” and “**holder of Securities**” and related expressions shall be construed accordingly).

(C) *Transfers of Securities*

For so long as the Securities are represented by 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 Euroclear or Clearstream, Luxembourg, subject to and in accordance with the rules and procedures for the time

being of Euroclear or Clearstream, Luxembourg (as the case may be). Title will pass upon registration of the transfer in the books of Euroclear or Clearstream, Luxembourg.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the 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 Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations other than subordinated obligations, if any, of the Issuer from time to time outstanding.

### (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 Security Final Terms or, if not specified in the applicable Security 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 Issuer and the Calculation Agent, less the cost to the 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):

- (a) in the case of Share Securities or Index Securities other than Index Securities relating to a Commodity Index, Share Securities or Index Securities, each date specified as an Averaging Date in the applicable Securities 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:
  - (i) if “**Omission**” is specified as applying in the applicable Securities 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
  - (ii) if “**Postponement**” is specified as applying in the applicable Securities 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
  - (iii) if “**Modified Postponement**” is specified as applying in the applicable Securities Final Terms:
    - (A) where the Securities are Index Securities relating to a single Index or Share Securities relating to a single Share, 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)(i)(y) of the definition of Valuation Date below; and

- (B) where the Securities are Index Securities relating to a Basket of Indices or Share Securities relating to a Basket of Shares, the Averaging Date for each Index or Share 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 an Index or Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Index or Share. If the first succeeding Valid Date in relation to such Index or Share 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 Index or Share, and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a)(ii)(y) of the definition of Valuation Date below; or

- (b) in the case of Index Securities relating to a Commodity Index, Debt Securities, Commodity Securities or Currency Securities or Fund Securities, each date specified as such in the applicable Securities Final Terms;

“**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 each of Euroclear and Clearstream, Luxembourg 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 Securities Final Terms, each Unit, in each case as determined by the Calculation Agent pursuant to the provisions in the applicable Securities Final Terms. 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;

“**Clearing System**” shall mean Euroclear or Clearstream, Luxembourg or such other clearing system as may be specified in the applicable Securities Final Terms;

“**Commodity Index**” means each index specified as such in the applicable Securities Final Terms; Commodity Index Reference Price has the meaning given in the applicable Securities Final Terms;

**“Disrupted Day”** means (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Securities 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 Securities 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, 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;

**“Exchange”** means:

- (a) in respect of Index Securities and in relation to an Index which is not specified in the applicable Securities Final Terms as being a Designated Multi-Exchange Index, each exchange or quotation system specified as such for such Index in the applicable Securities 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); and
- (b) in respect of Index Securities and in relation to an Index which is specified in the applicable Securities 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; and
- (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 Securities 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);

**“Exchange Business Day”** means (a) in respect of Securities other than Index Securities where the relevant Index is specified in the applicable Securities 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 Securities 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;

**“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;

**“Italian Listed Securities”** means Securities in respect of which the applicable Securities 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 "Securitised Derivatives Market" (the **SeDeX**), organised and managed by Borsa Italiana S.p.A.;

**“Price Source”** has the meaning given in the applicable Securities Final Terms;

**“Related Exchange”** means, in respect of Index Securities and in relation to an Index or in respect of Share Securities and in relation to a Share, each exchange or quotation system specified as such in relation to such Index or Share in the applicable Securities 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 or Share 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 Securities 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 or such Share;

**“Relevant Price”** means for any Valuation Date or Averaging Date, the price of the Index, determined with respect to such date for the specified Commodity Index Reference Price calculated as provided in the Conditions and the applicable Securities 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 Securities 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 Securities 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;

**“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;

**“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 Date”** means, unless specified otherwise in the applicable Securities Final Terms:

(a) in relation to Cash Settled Securities:

- (i) where Averaging is not specified in the applicable Securities Final Terms, the fifth Business Day following the Valuation Date provided that if the Securities are Index Securities relating to a Basket of Indices other than Index Securities relating to a Commodity Index, Share Securities relating to a Basket of Shares, and the occurrence of a Disrupted Day has resulted in a Valuation Date for one or more Indices or Shares, as the case may be, 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 Index or Share, as the case may be; or
- (ii) where Averaging is specified in the applicable Securities Final Terms, the fifth Business Day following the last occurring Averaging Date provided that where the Securities are Index Securities relating to a Basket of Indices other than Index Securities relating to a Commodity Index or Share Securities relating to a Basket of Shares, and the occurrence of a Disrupted Day has resulted in an Averaging Date for one or more Indices or Shares, as the case may be, 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 Index or Share, as the case may be, or such other date as is specified in the applicable Securities Final Terms; and

(b) in relation to Physical Delivery Securities, the date specified as such in the applicable Securities Final Terms;

**“Settlement Price”** means, in relation to each Cash Settled Security and, in relation to Warrants, if Units are specified in the applicable Securities 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 and in respect of each Index comprising the Basket, an amount (which shall be deemed to be a monetary

amount in the Index Currency) equal to the official closing level for such Index as determined by the Calculation Agent or, if so specified in the applicable Securities Final Terms, the level of such Index determined by the Calculation Agent as set out in the applicable Securities Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction, multiplied by the relevant Multiplier; 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 or, if so specified in the applicable Securities Final Terms, the level of the Index determined by the Calculation Agent as set out in the applicable Securities Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities 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 and in respect of each Share comprising the Basket, 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 Securities 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 Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities 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 Securities 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 Securities 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 Securities 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 Securities 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 the relevant



Multiplier, each such value to be converted, if so specified in the applicable Securities Final Terms, into the Settlement Currency at the Exchange Rate and the sum of such converted amounts to be the Settlement Price, 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 Securities Final Terms) quoted on the relevant Exchange for such Share (as defined in Condition 13(B)) on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or if Averaging is specified in the applicable Securities 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 Securities 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 Securities 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 Securities 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 Securities 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 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, an amount equal to the sum of the values calculated for each Debt Instrument at the bid price for such 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 Relevant Screen Page at the Valuation Time on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities 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 the relevant Multiplier; 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 Relevant Screen Page at the Valuation Time on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities 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, an amount equal to the sum of the values calculated for each Subject Currency at the spot rate of exchange appearing on the Relevant Screen Page at the Valuation Time on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities 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 the relevant Multiplier; 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 Relevant Screen Page at the Valuation Time on (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities 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 or Fund Securities, the provisions relating to the calculation of the Settlement Price will be set out in the applicable Securities Final Terms;
- (f) in respect of Index Securities relating to a Commodity Index and subject to Condition 13(A);

- (i) in the case of Index Securities relating to a Basket of Indices and in respect of each Index comprising the Basket, an amount equal to the Relevant Price for such Index as determined by the Calculation Agent in respect of (A) if Averaging is not specified in the applicable Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities Final Terms, an Averaging Date and, in either case, multiplied by the relevant Multiplier; 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 Securities Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Securities Final Terms, an Averaging Date

**“Valuation Date”** means:

- (a) (in the case of Share Securities or Index Securities other than Index Securities relating to a Commodity Index) (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. If such day is a Disrupted Day, then:
  - (i) where the Securities are Index Securities relating to a single Index or Share Securities relating to a single Share, 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 in the manner set out in the applicable Securities Final Terms or, if not set out or if not practicable, 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, in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that eighth Scheduled Trading Day; or
  - (ii) where the Securities are Index Securities relating to a Basket of Indices or Share Securities relating to a Basket of Shares, the Valuation Date for each Index or Share,

as the case may be, not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index or Share, as the case may be, 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, in relation to the Affected Item, the level or value as applicable, determined in the manner set out in the applicable Securities Final Terms, and, in the case of a Share, a price determined in the manner set out in the applicable Securities Final Terms or, if not set out or if not practicable, 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, Fund or Commodity, 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; or
- (b) in respect of Index Securities relating to a Commodity Index, Debt Securities, Currency Securities, Commodity Securities or Fund Securities, (i) in the case of Warrants, the Actual Exercise Date of the relevant Warrant or (ii) in the case of Certificates, the Valuation Date specified in the applicable Securities Final Terms, in each case subject as set out in the applicable Securities Final Terms; and

**“Valuation Time”** means (a) in respect of Securities other than Index Securities where the relevant Index is specified in the applicable Securities Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Securities 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 Securities Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Securities 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 Securities 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 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 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 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 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 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 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 Issuer as a result of which the Issuer cannot make delivery of the Relevant Asset(s) using the method specified in the applicable Securities Final Terms.

(B) *Failure to Deliver due to Illiquidity*

If "Failure to Deliver due to Illiquidity" is specified as applicable in the applicable Securities 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 amended by the applicable Securities 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 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 Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the 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 Securities Final Terms indicates that the Issuer has an option to vary settlement in respect of the Securities, upon a valid exercise of Securities in accordance with these Conditions, the 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 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, 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 securities (the “**Intervening Period**”), neither the 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 securities 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 securities or (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such securities during the Intervening Period.

(E) *General*

None of the 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 comprised in any Entitlement in the register of members of the relevant Share Company (as defined in Condition 13(B)).

5. **Illegality**

If the Issuer determines that the performance of its obligations under the Securities or that any arrangements made to hedge the Issuer's obligations under the Securities have become illegal in whole or in part for any reason, the 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 Issuer cancels the Securities then the 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 Securities 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, notwithstanding such illegality less the cost to the 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 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 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 Issuer will at all times maintain (i) a Fiscal Agent, (ii) a Calculation Agent where the Conditions so require one, (iii) the 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 Notes are listed on the Luxembourg 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 Issuer or another entity) acts solely as agent of the 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 Issuer and the Securityholders.

The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

### (C) *Determinations by the Issuer*

Any determination made by the Issuer pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Securityholders.

### (D) *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 Securities Final Terms, (ii) any error of a formal, minor or technical nature in the Terms and Conditions of the Securities and/or in the Securities Final Terms or (iii) any inconsistency in the Terms and Conditions of the Securities and/or in the Securities Final Terms between the Terms and Conditions of the Securities and/or the Securities 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 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 Issuer and the Guarantor may modify from time to time in the relevant Securities Final Terms the time references to certain Business Days contained in the Base 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 Euroclear and/or Clearstream, Luxembourg, for communication by them to the Securityholders; (ii) if and so long as the Securities are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange, the notice is published in accordance with the rules and regulations of the Luxembourg Stock Exchange (which shall include publication on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu))) 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 Euroclear and/or Clearstream, Luxembourg 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 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 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.

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 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 the Securities, substitute for the Issuer any company (the “**Substitute**”) upon notice by the 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 15 (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 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 Notes 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 Issuer under the Securities and the Issue and Paying Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Notes 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 14(A)(a) and 14(A)(b) shall apply *mutatis mutandis*, and references in these Conditions to the 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:* Unless otherwise provided in the Securities Final Terms as being applicable, 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.
- (b) *English courts:* Unless otherwise provided in the Securities Final Terms as being applicable in relation to the Governing Law, 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.
- (c) *Appropriate forum:* Unless otherwise provided in the Securities Final Terms as being applicable in relation to the Governing Law, each of the 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:* Unless otherwise provided in the Securities Final Terms as being applicable in relation to the Governing Law, 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:* Unless otherwise provided in the Securities Final Terms as being applicable in relation to the Governing Law, each of the 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 Issuer and the Guarantor (where applicable), the Issuer and the Guarantor (where applicable) shall, on the written demand of any Noteholder addressed and delivered to the 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 Issuer and the Guarantor (where applicable) and delivered to the 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 Noteholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

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 Securities 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 Securities 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 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 Calculation, each an “**Index Adjustment Event**”), then the 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 Issuer will pay an amount to each Securityholder in respect of each Security held by him which amount shall be the fair market value of a Security, taking into account the Index Adjustment Event, less the cost to the 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:

- (i) using:
  - (x) 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
  - (y) 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; or
- (ii) as specified in the applicable Securities Final Terms.

Subject as provided below, the Calculation Agent shall determine the Relevant Price by reference to the closing prices determined in (i)(x) and (i)(y) above or as provided in (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 Securities 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.

(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;

**“Shares”** and **“Share”** mean, subject to adjustment in accordance with this Condition 13(B), the shares or a share of the relevant Basket Company and, in the case of an issue of Securities relating to a single Share, such share, and related expressions shall be construed accordingly; 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 Multiplier and/or any of the other terms of these Conditions and/or the applicable Securities 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 an 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 Multiplier and/or any of the other terms of these Conditions and/or the

applicable Securities 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 Securities 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 Securities Final Terms, a Tender Offer occurs in relation to a Share, the 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 Multiplier and/or any of the other terms of these Conditions and/or the applicable Securities 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 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 Securities Final Terms, each Unit, 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 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 such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (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 Multiplier and/or any of the other terms of these Conditions and/or the applicable Securities 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 Multiplier and/or any of the other terms of these Conditions and/or the applicable Securities 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 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 Securities*

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.

(D) *Commodity Securities*

Market Disruption

**“Market Disruption Event”** shall mean the suspension of or limitation imposed on trading on either any exchange on which the Commodity or any of the Commodities (in the case of a Basket of Commodities) are traded or on any exchange on which options contracts or futures contracts with respect to the Commodity or any of the Commodities (in the case of a Basket of Commodities) are traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

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) **Additional Disruption Events**

**“Additional Disruption Event”** means any of Change in Law, 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 Securities Final Terms.

**“Change in Law”** means that, on or after the Trade Date (as specified in the applicable Securities 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 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 Issuer and/or any of its Affiliates or agents acting on its behalf).

**“Hedging Disruption”** means that the 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 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 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 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



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 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 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 Securities 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 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 Securities Final Terms.

If an Additional Disruption Event occurs, the 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 Multiplier and/or any of the other terms of these Conditions and/or the applicable Securities 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 Issuer will pay an amount to each Securityholder in respect of each Security held by him which amount shall be the fair market value of such Security, taking into account the Additional Disruption Event less the cost to the 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 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.

(F) *Fund Securities*

Any market disruption, general disruption, adjustment and/or termination provisions relating to Fund Securities will be set out in the applicable Securities Final Terms.

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 amended or supplemented in the applicable Securities 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 amended or supplemented in the applicable Securities Final Terms) as the 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 Multiplier and/or the Exercise Price and/or the Settlement Price and/or any other terms of these Conditions

and/or the applicable Securities 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 Multiplier and/or the Exercise Price and/or the Settlement Price and/or such other terms of these Conditions and/or the applicable Securities Final Terms).

Notwithstanding the foregoing, none of the 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 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 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 Securities 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 Securities 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 Securities 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 Euroclear and/or Clearstream, Luxembourg with a copy to the 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 Securities Final Terms, the Expiration Date. If any Exercise Notice in respect of an American Style Warrant is received by Euroclear and/or Clearstream, Luxembourg, or a copy thereof is delivered to the 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 Securities Final Terms, become void or (ii) if Automatic Exercise is specified in the applicable Securities 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 Securities 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 Issuer (a “**Renouncement Notice**”), to the relevant Clearing System, with a copy to the Fiscal Agent and the 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 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 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 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 Securities 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 Securities 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 Securities 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 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 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 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 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 Securities Final Terms, each Unit entitles its holder, upon due exercise in accordance with Condition 17(A) to receive from the 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 Securities 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 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 Securities 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).

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 Euroclear or Clearstream, Luxembourg, as the case may be, with a copy to the Fiscal Agent and the 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 Euroclear, Clearstream, Luxembourg 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 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 Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with the Warrants the subject of such Exercise Notice;
- (iii) except in the case of Definitive Warrants, irrevocably instruct Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 Euroclear or Clearstream, Luxembourg, as the case may be (or to the Fiscal Agent, in the case of Definitive Warrants), to debit a specified account of the Securityholder at Euroclear or Clearstream, Luxembourg (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 Securities 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 Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 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 Euroclear or Clearstream, Luxembourg, as the case may be, 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 Securities 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 Euroclear, Clearstream, Luxembourg 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, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person exercising the Warrant is the holder thereof according to the books of Euroclear or Clearstream, Luxembourg, as the case may be. Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, 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 Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 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 appropriate).

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 number of Warrants must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 Securities 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 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 Euroclear and/or Clearstream, Luxembourg (as the case may be) and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, is not duly delivered to the 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 Euroclear and/or Clearstream, Luxembourg (as appropriate), in consultation with the Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, to the satisfaction of the 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 Euroclear and/or Clearstream, Luxembourg, as the case may be, and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Warrants, to the Issuer and copied to the Fiscal Agent).

**If Automatic Exercise is not specified in the applicable Securities 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.**

Euroclear and/or Clearstream, Luxembourg, as applicable (or, in the case of Definitive Warrants, the Issuer) shall use its best efforts promptly to notify the Securityholder submitting an Exercise Notice if, in consultation with the 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 Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg 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 Securities 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 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 Euroclear or Clearstream, Luxembourg (such payment to be made in accordance with the rules of Euroclear or Clearstream, Luxembourg, as the case may be) 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 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 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 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 Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall under any circumstances be liable for any acts or defaults of Euroclear or Clearstream, Luxembourg 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 Issuer, must not be less than the Minimum Exercise Number specified in the applicable Securities Final Terms and, if specified in the applicable Securities Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Securities 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 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 Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the 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 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 Issuer, must be equal to the Minimum Exercise Number specified in the applicable Securities Final Terms and, if specified in the applicable Securities Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Securities Final Terms. Any exercise which purports to exercise Warrants in breach of this provision shall be void and of no effect.

19. **Exercise of Certificates**

*Conditions 19, 20 and 21 shall only apply to Certificates*

(A) *Exercise Date*

Each Certificate shall be automatically exercised on the Exercise Date.

In respect of Italian Listed Certificates, prior to the Renouncement Notice Cut-off Time indicated in the relevant Securities 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 Renouncement Notice to the relevant Clearing System, with a copy to the Fiscal Agent and the 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 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 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 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 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 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 Securities Final Terms.

Unless otherwise specified in the applicable Securities 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).

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 Euroclear or Clearstream, Luxembourg, as the case may be, with a copy to the Fiscal Agent and the 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 Euroclear or Clearstream, Luxembourg 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 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 Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with the Certificates the subject of such Physical Delivery Confirmation Notice;
- (iii) except in the case of Definitive Certificates, irrevocably instruct Euroclear or Clearstream, Luxembourg, as the case may be, 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 Euroclear or Clearstream, Luxembourg, as the case may be, to debit a specified account of the Securityholder at Euroclear or Clearstream, Luxembourg, in respect thereof;
- (v) include such details as are required by the applicable Securities 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 Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 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 Euroclear or Clearstream, Luxembourg, as the case may be, 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 set out in the applicable Securities Final Terms; 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 Euroclear, Clearstream, Luxembourg 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, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person exercising the Certificates is the holder thereof according to the books of Euroclear or Clearstream, Luxembourg, as the case may be. Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, 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 Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 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.

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 Certificates must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, 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 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 Securities 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 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 Euroclear and/or Clearstream, Luxembourg (as the case may be) and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, which is not duly delivered to the 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 Euroclear and/or Clearstream, Luxembourg, in consultation with the Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, to the satisfaction of the 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 Euroclear or Clearstream, Luxembourg,

as the case may be, and copied to the Issuer and the Fiscal Agent (or, in the case of Definitive Certificates, to the Issuer and copied to the Fiscal Agent).

Euroclear and/or Clearstream, Luxembourg, as applicable, (or, in the case of Definitive Certificates, the Issuer) shall use its best efforts promptly to notify the Securityholder submitting a Physical Delivery Confirmation Notice if, in consultation with the 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 Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg 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 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 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 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 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 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 Issuer, any of its Affiliates, the Paying Agents and the Calculation Agent shall under any circumstances be liable for any acts or defaults of Euroclear or Clearstream, Luxembourg in relation to the performance of their duties in relation to the Certificates.

**21. Remuneration**

**(A) *Remuneration Amount***

If so specified in the applicable Securities Final Terms, 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 on each Remuneration Payment Date will amount to the Remuneration Amount for the Remuneration Period ending on (but excluding) such Remuneration Payment Date.

If remuneration is required to be calculated for a period ending other than on (but excluding) an Remuneration Payment Date, it will be calculated on the basis of the number of days from and including the most recent Remuneration Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date and the Remuneration Rate Day Count Fraction.

**(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), if applicable, in accordance with these Conditions unless 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 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 Euroclear or Clearstream, Luxembourg, as the case may be, for value on the relevant Remuneration Payment Date, such payment to be made in accordance with the rules of Euroclear or Clearstream, Luxembourg as the case may be.

The Issuer will be discharged by payment to, or to the order of, Euroclear or Clearstream, Luxembourg as the case may be, in respect of the amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the case may be, as the holder of a particular amount of the Certificates must look solely to Euroclear or Clearstream,

Luxembourg as the case may be, for his share of each such payment so made to, or to the order of, Euroclear or Clearstream, Luxembourg as the case may be.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(D) *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.

**"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 Period"** means the period commencing on (and including) the Issue 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.

## PROVISIONS RELATING TO THE NOTES AND SECURITIES WHILE IN GLOBAL FORM

### Provisions relating to Notes while in Global Form

#### *Clearing System Accountholders*

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “**Noteholder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary (in the case of a CGN) or a common safekeeper (in the case of an NGN) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

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 Note (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 Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note 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 Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

#### *Exchange of Temporary Global Notes*

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, 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 Note, duly authenticated and (in the case of an NGN) effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts 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 to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons, Talons and Receipts attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (Luxembourg time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, 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 Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note 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 Note will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 13 (*Notices*).

#### *Exchange of Permanent Global Notes*

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and, where applicable, with Coupons, Talons and Receipts attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (Luxembourg time) on the forty-fifth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) 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 Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note 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 Note will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the relevant Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 13 (*Notices*).

#### *Conditions applicable to Global Notes*

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note 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 Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that, in respect of a CGN, the payment is noted on a schedule thereto and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Exercise of put option:* In order to exercise the option contained in Condition 5(i) (*Redemption at the option of holders of Notes*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 5(f) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the relevant Issuer in accordance

with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

*Notices:* Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary, common depositary or common safekeeper (as the case may be) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders 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 Noteholders in accordance with Condition 13 (*Notices*) 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 Notes are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **Provisions relating to 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 depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that common depositary.

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 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 Issuer in respect of payments due under the Securities and such obligations of the 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 Luxembourg Stock Exchange and its rules so require, the 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 Luxembourg 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 or Clearstream, Luxembourg, as the case may be, with a copy to the Fiscal Agent and the 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 depositary 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 Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Notes or 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 2 December 2010 and approved by CONSOB pursuant to CONSOB Regulation No. 11971 of 14 May 1999 (as amended) on 1 December 2010, report No. 10098475 (the “**Mediobanca Registration Document**”). 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”. In addition, all other Sections of the Mediobanca Registration Document are deemed to be incorporated in, and to form part of, this Base Prospectus for information purposes only. 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 the reporting date there have been no negative changes either to the financial position or prospects of either Mediobanca or the Group headed up by it.

Neither Mediobanca nor any company in the 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 the date hereof Standard & Poor’s rated Mediobanca A-1 (short-term debt), A+ (long-term debt) and stable (outlook)– see [www.mediobanca.it](http://www.mediobanca.it).

To the knowledge of Mediobanca, Standard & Poor’s is a credit rating agency operating in the European Union before 7<sup>th</sup> June 2010, which has submitted an application for the registration in accordance with Regulation 1060/2009/EC and such registration has not been refused.

### Business Overview

#### *Principal activities*

The Group’s principal activities are currently segmented into three divisions: corporate and investment banking (CIB), which includes wholesale banking and leasing; principal investing (PI), which brings

together the Group's investments in Assicurazioni Generali, RCS MediaGroup, Telco and stakes taken as part of merchant banking and private equity activity; and retail and private banking (RPB), consisting of consumer credit activities, CheBanca! (retail banking) and private banking (CMB and Banca Esperia,).

Mediobanca is a banking group operating in corporate and investment banking (CIB), which includes wholesale banking and leasing, principal investing (PI), which brings together the Group's long-term investments, and retail and private banking (RPB), consisting of consumer credit, retail banking and private banking. Mediobanca has a market capitalization of approx. €6.5bn.

***Consolidated financial information as at 30/06/10***

€m	CIB	PI	RPB	Total
	Coverage & corporate finance	Assicurazioni Generali	Credito al consumo	
	Lending & structured finance	RCS MediaGroup	Retail banking	
	Capital markets	Telco	Private banking	
Profit and loss account				
Net interest income	429	-10	526	917
Total income	1,006	204	845	2,018
Profit before tax	411	183	-18	583
Net profit	243	184	-32	401

***Corporate and investment banking (CIB)***

Mediobanca seeks to provide its corporate clients with the advisory services and financial services they need to help them grow and develop.

The wholesale banking division comprises three different units:

***Coverage and corporate finance***

This area is responsible for maintaining close contact with our clients, to meet their needs for growth and development through corporate finance services to be executed under mandate. It 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*

This area is responsible for structuring lending transactions, and for the related activity of buying and selling loans over the secondary market.

The main products are:

- **corporate lending:** loans to corporates, which are generally medium-to-long term, and are granted with a view to meeting clients' needs for financing in connection either with specific investments or structural needs generated by growth. Loans may be disbursed to all kinds of corporate clients, whether industrial or service-oriented, Italian or non-Italian, large or medium-sized. Loans do not generally have pre-defined structures, and there are no limits in terms of amount. Larger facilities may be syndicated among a select number of relationship banks, or with the broader involvement of Italian and international banks;
- **structured finance:** transactions involving a considerable degree of financial leverage. Such deals usually arise as a result of industrial or infrastructure capital spending requirements, or of acquisitions of listed or non-listed companies launched *inter alia* with the backing of institutional investors. Such facilities are often structured in complex fashion, including in terms of contracts and guarantees, in order to maintain the risk profile of the transaction within limits that are acceptable to the banking market. Because of their size, such loans are often syndicated.

### *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 10 operators in this sector.

In the twelve months to 30 June 2010 the group disbursed approximately €1.1 billion.

As at 30 June 2010 the net value finance disbursed by the group amounted to some €4.5 billion, with a headcount numbering 209 staff employed at the head office and 12 branches.

### *Capital markets*

Mediobanca is an active player on both the primary and secondary markets for equities, fixed income securities, foreign exchange, and credit, interest rate and exchange rate derivatives.

Insofar as primary market activities are concerned, these are divided into the following areas of operation:

- **equity capital market:** structures and placement of equity instruments, e.g. in the form of IPOs and rights issues, and equity-linked products such as convertible/exchangeable bonds and bonds cum warrants;
- **debt capital market:** structures and placement of debt instruments such as bonds and/or asset-backed securities issued by corporate clients or financial institutions;
- **funding:** structures and placement of debt-instruments (structured and unstructured) issued to finance its own financial meanings.

Secondary market activity covers all regulated markets (trading-floor and screen-based) and non-regulated markets (OTC) on which financial assets are traded subsequent to their issue. Mediobanca performs the following activities:

- acquiring equity investments and AFS shares and otherwise investing in the share capital of leading companies, who are generally leaders in their respective spheres of activity and listed in Italy and/or elsewhere, with a view to contributing to value creation over a medium-term time horizon, including through representation on investee companies' governing bodies; as at 30/6/10 the main equity investments held were as follows:

<b>Equity investments IAS 28</b>	<b>Sector</b>	<b>% of share capital</b>	<b>Book value as at 30/6/10 €m</b>	<b>Stock market value as at 30/6/10 €m</b>
Gemina	Transport	12.53%	199.8	92.3
Pirelli & C.	Tyres	4.49%	117.4	109.8
<b>AFS equities</b>	<b>Sector</b>	<b>% of share capital</b>	<b>Book value as at 30/6/10 €m</b>	<b>AFS securities valuation reserve component €m</b>
Italmobiliare	Cement	5.47%	47.0	12.4

- equity and derivatives trading desk (proprietary trading);
- client trading and order collection and equity research;



- asset and liability management, i.e. managing interest rate risk on the Bank's assets and liabilities, and proprietary trading in fixed-income securities and interest/exchange rate derivative products.

#### *Principal investing (PI)*

This portfolio continues to consist of the Group's shareholdings in Assicurazioni Generali, RCS MediaGroup and Telco in view of the size of the investment and the role played by the Bank in the companies' governance. As at 30 June 2010 the values reflected by the investments were as follows:

Company	Sector	% of share capital	Book value as at 30/6/10 €m	Stock market value as at 30/6/10 €m
<b>Strategic/permanent investments</b>				
Assicurazioni Generali	Insurance	13.24%	2,317.5	2,974.0
RCS MediaGroup	Publishing/media	14.36%	189.3	103.2
Telco	Telephony	11.62%	358.1	

#### *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).

#### *Consumer credit*

Compass is one of the leading independent consumer credit operators in Italy. The company mainly provides finance for the purchase of motor vehicles and other consumer durable goods, and provides personal loans and revolving credit via credit cards and salary-backed finance.

The Compass group, set up following the merger between Compass and Linea (the latter acquired on 27 June 2008 from Banca Popolare di Vicenza, Banco Popolare and other banking shareholders), distributes its products throughout Italy with its network of 146 branches, as well as through the BancoPosta network plus a further 4,500 points of sale in other banks' branches. In the twelve months ended 30 June 2010 it disbursed finance amounting to some €3.8bn.

As at the balance-sheet date it had approximatively €8.1 billion in loans outstanding, plus a total of 1,284 staff on the books.

### *Retail Banking - CheBanca! S.p.A. (formerly Micos Banca S.p.A.)*

As at 30 June 2010 loans and advances to customers totalled €3.5 billion and direct funding amounted to €9.6 billion; the company's headcount numbers 845 staff.

### *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 approximatively €12 billion 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.€6 billion. 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.

### *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 purpose is to raise funds and provide credit in any of the forms permitted, especially medium- and long-term credit to corporates.

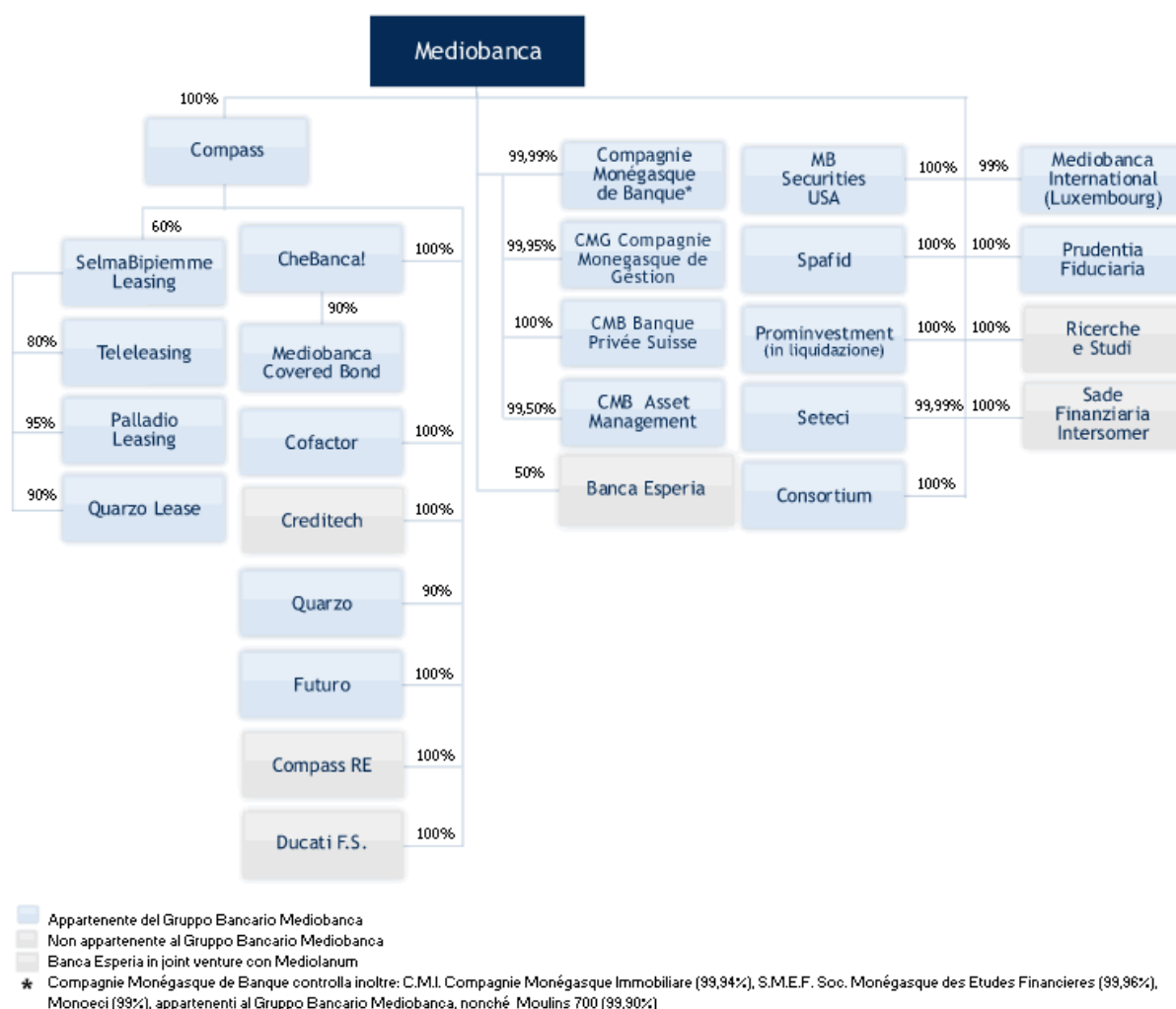
Within the limits laid down by current regulations, Mediobanca may execute all banking, financial and intermediation-related operations and services, and carry out any transaction deemed to be instrumental to or otherwise connected with the achievement of Mediobanca's purpose.

## **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

At an ordinary general meeting held on 28 October 2010, the shareholders of Mediobanca *inter alia* approved a resolution to set the number of Board members at twenty-one.

### (a) Board of Directors

#### Composition, Board of Directors as at 30 October 2010:

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
Renato Pagliaro*	Chairman ***	Milan, 20/2/57	30/6/11	Director, Pirelli & C.  Deputy Chairman and Member of Executive Committee, RCS

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
				MediaGroup  Director and Member of Executive Committee, Telecom Italia  Director, Burgo Group
Dieter Rampl	Deputy Chairman	Munich, 5/9/47	30/6/11	Chairman, UniCredit  Chairman, Supervisory Board Koenig & Bauer  Chairman, Supervisory Board Bayerische Börse  Member, Supervisory Board FC Bayern München  Independent Director, KKR Guernsey GP Limited  Chairman, Managing Board HYPO-KULTURSTIFTUNG
Marco Tronchetti Provera	Deputy Chairman	Milan, 18/1/48	30/6/11	Chairman, Pirelli & C.  Chairman, Camfin  Chairman, Pirelli & C. Real Estate  Chairman, Gruppo Partecipazioni Industriali  Director, Alitalia  Director, F.C. Internazionale Milano
Alberto Nagel*	Chief Executive Officer ***	Milan, 7/6/65	30/6/11	Director and Member of Executive Committee, Assicurazioni Generali  Director, Banca Esperia
Francesco Saverio Vinci *	General Manager  ***	Milan, 10/11/62	30/6/11	Director, Banca Esperia  Director, Duemme Hedge Società di gestione del risparmio

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
				<p>Director, Duemme Sicav</p> <p>Director, Italmobiliare</p> <p>Director, Perseo</p>
Jean Azema	Director	Pantin, 23/2/53	30/6/11	<p>General Manager, Groupama</p> <p>General Manager, Fédération Nationale Groupama</p> <p>Director, Société Générale</p> <p><i>Représent Permanent</i> on Bolloré BoD</p> <p>Director, Véolia Environnement</p>
Tarak Ben Ammar	Director	Tunis, 12/6/49	30/6/11	<p>Director, Telecom Italia</p> <p>Chairman and General Manager, Quinta Communications</p> <p>Chief Executive Officer (CEO), Europa TV</p> <p>Chief Executive Officer, (CEO), Prima TV</p> <p>Managing Director, Carthago Film</p> <p>Chief Executive Officer (CEO), Andromeda Tunisie S.A.</p> <p>Chairman, Eagle Pictures S.p.A.</p>
Gilberto Benetton	Director	Treviso, 19/6/41	30/6/11	<p>Chairman, Edizione Holding</p> <p>Chairman, Autogrill</p> <p>Director, Sintonia</p> <p>Director, Benetton Group</p>

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
				<p>Director, Pirelli &amp; C.</p> <p>Director, Atlantia</p> <p>Director, Allianz</p>
Marina Berlusconi	Director	Milan, 10/8/66	30/6/11	<p>Chairman, Finanziaria d'Investimento Fininvest</p> <p>Chairman, Arnoldo Mondadori Editore</p> <p>Director, Mediaset</p>
Antoine Bernheim	Director	Paris, 4/9/24	30/6/11	<p>Chairman, Assicurazioni Generali</p> <p>Deputy Chairman, Alleanza Assicurazioni</p> <p>Deputy Chairman and Member of Supervisory Board, IntesaSanpaolo</p> <p>Deputy Chairman, LVMH</p> <p>Director, AMB Generali Holding</p> <p>Director, Ciments Français</p> <p>Director, Christian Dior</p> <p>Member of Supervisory Board, Eurazeo</p> <p>Deputy Chairman, Bolloré</p> <p>Director, B.S.I (Banca della Svizzera Italiana)</p> <p>Assicurazioni Generali <i>représent</i> in Banco Santander Central Hispano</p> <p>Director, Havas</p>
Roberto Bertazzoni	Director	Guastalla, 10/12/42	30/6/11	<p>Chairman, Smeg</p>

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
				<p>Director, RCS MediaGroup</p> <p>Chairman and Chief Executive Officer, Erfin - Eridano Finanziaria</p> <p>Chairman and Chief Executive Officer, Cofiber</p>
Vincent Bollorè *	Director	Boulogne Billancourt, 1/4/52	30/6/11	<p>Chairman and General Manager, Bolloré</p> <p>Chairman and General Manager, Bolloré Participations</p> <p>Chairman Financière De L'Odet</p> <p>Chairman, Havas</p> <p>Director, Matin Plus</p> <p>Director, Direct Soir</p> <p>Supervisory Director, Natixis</p> <p>Chairman and Chief Executive Officer, Financière du Champ de Mars</p> <p>Director, Chemins De Fer Et Tramways du Var et Du Gard</p> <p>Director, Société Industrielle et Financière De L'Artois</p> <p>Director, Financière Privée</p> <p>Director, Société Financière Luxembourgeoise – Socfinal</p>
Angelo Casò *	Director	Milan, 11/8/40	30/6/11	<p>Chairman, Statutory Audit Committee Benetton Group</p> <p>Chairman, Statutory Audit Committee Edizione Holding</p>

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
				<p>Chairman, Statutory Audit Committee Vittoria Assicurazioni</p> <p>Chairman, Statutory Audit Committee Indesit Company</p> <p>Chairman, Statutory Audit Committee FidlItalia</p> <p>Chairman, Statutory Audit Committee Bracco</p> <p>Chairman, Statutory Audit Committee Vestal Capital Partners Italy</p> <p>Standing Auditor, Barclays Private Equity</p>
Maurizio Cereda *	Director ***	Milan, 7/1/64	30/6/11	<p>Director, Ansaldo STS</p> <p>Director, Enervit</p>
Massimo Di Carlo *	Director ***	Rovereto, 25/6/63	30/6/11	
Ennio Doris	Director	Tombolo, 3/7/40		<p>Chief Executive Officer, Mediolanum</p> <p>Chairman, Banca Mediolanum</p> <p>Director, Banca Esperia</p> <p>Director, Safilo Group</p> <p>Director, Safilo</p>
Jonella Ligresti	Director	Milan, 23/3/67	30/6/11	<p>Chairman and Member of Executive Committee, Fondiaria-SAI</p> <p>Chairman, SAI Holding Italy</p> <p>Deputy Chairman, Fondazione Fondiaria-SAI</p>



Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
				Deputy Chairman, Premafin Finanziaria Director, Milan Assicurazioni Director, RCS MediaGroup Director, Italmobiliare Director, Finadin
Fabrizio Palenzona	Director	Novi Ligure, 1/9/53	30/6/11	Deputy Chairman, Unicredit Group Chairman, Aeroporti di Rome Chairman, Aviva Italia Director, Fondazione Cassa Di Risparmio di Alessandria
Marco Parlangeli	Director	Siena, 20/2/60	30/6/11	General Manager, Fondazione Monte dei Paschi di Siena Director, F2I- Fondi Italiani per le infrastrutture società di gestione del risparmio
Carlo Pesenti	Director	Milan, 30/3/63	30/6/11	General Manager, Director and Member of Executive Committee, Italmobiliare CEO and Member of Executive Committee, Italcementi Deputy Chairman, Ciments Français Director, UniCredit Director and Member of Executive Committee, RCS MediaGroup Director, Ambiente Società di Gestione del Risparmio
Eric Strutz *	Director	Mainz,	30/6/11	Member of Board of Managing

Name	Post held	Place and date of birth	Term of office expires	Posts held in other companies**
		13/12/1964		<p>Directors, Commerzbank</p> <p>Member, Supervisory Board ABB</p> <p>Deputy Chairman, Commerzbank Auslandsbanken Holding</p> <p>Member, Supervisory Board Commerzbank Auslandsbanken Holding Nova</p> <p>Member, Supervisory Board RWE Power</p> <p>Member of Board of Directors, SdB Sicherungseinrichtungsgesellschaft deutscher Banken</p> <p>Member of Board of Directors WM-Gruppe Wertpapier-Mitteilungen, Keppler, Lehmann</p> <p>Chairman, Supervisory Board Commerzbank Inlandsbanken Holding</p>

\* Member of Executive Committee.

\*\* The full list of posts held in other companies as at 30 June 2009 may be found on the Bank's website.

\*\*\* Member of Mediobanca senior management.

The address for all members of the Board of Directors for the duties they discharge is: Piazzetta E. Cuccia 1, Milan, Italy.

(b) **Statutory Audit Committee**

**Composition of Statutory Audit Committee:**

Post	Name	Place and date of birth	Term expires	Posts held in other companies*
Chairman	Marco Reboa	Milan, 21/4/55	FY 30/6/11	<p>Director, Blu Holding S.p.A.</p> <p>Alternate Auditor CIR – Compagnie</p>

Post	Name	Place and date of birth	Term expires	Posts held in other companies*
				<p>Industriali Riunite S.p.A.</p> <p>Standing Auditor – Egidio Galbani S.p.A.</p> <p>Director, ENI S.p.A.</p> <p>Standing Auditor, Gruppo Lactalis Italia S.p.A.</p> <p>Director, Interpump Group S.p.A.</p> <p>Director, Luxottica Group S.p.A.</p>
Standing Auditor	Gabriele Villa	Milan, 18/6/64	FY 30/6/11	<p>Standing Auditor, Credito Artigiano</p> <p>Standing Auditor, Finecobank</p> <p>Standing Auditor, Otis S.r.l.</p> <p>Standing Auditor, Otis Servizi</p> <p>Standing Auditor, SO.FI.GE</p> <p>Auditor, Fondazione Accademia d'arti e mestieri dello spettacolo teatro alla Scala</p> <p>Director, Calcestruzzi</p> <p>Sole Director, Immobiliare Cinca</p> <p>Sole Director, Immobiliare Delvin</p>
Standing Auditor	Maurizia Angelo Comneno	Rome, 18/6/48	FY 30/6/11	<p>Director, ADR – Associazione per le Alternative Dispute Resolution</p>
Alternate Auditor	Guido Croci	Milan, 4/3/59	FY 30/6/11	<p>Sole Director, Strauss</p> <p>Director, FPZ</p> <p>Chairman, Pegaso</p>

Post	Name	Place and date of birth	Term expires	Posts held in other companies*
				<p>Chairman, Statutory Audit Committee Automobili.com</p> <p>Chairman, Statutory Audit Committee Avvenire Società di intermediazione Mobiliare per azioni</p> <p>Chairman, Statutory Audit Committee Ferretti</p> <p>Chairman, Statutory Audit Committee Philips Medical Capital</p> <p>Chairman, Statutory Audit Committee RCS Digital</p> <p>Chairman, Statutory Audit Committee RCS Produzioni</p> <p>Chairman, Statutory Audit Committee Sfera Editore</p> <p>Chairman, Statutory Audit Committee SG Asset Management Italy SGR</p> <p>Chairman, Statutory Audit Committee SG Finance Italia</p> <p>Chairman, Statutory Audit Committee SG Infrastructure Italia</p> <p>Chairman, Statutory Audit Committee Sind International</p> <p>Chairman, Statutory Audit Committee Société Générale Asset Finance Italia</p> <p>Chairman, Statutory Audit Committee Société Générale Italia Holding</p> <p>Chairman, Statutory Audit</p>

Post	Name	Place and date of birth	Term expires	Posts held in other companies*
				Committee Société Générale Mutui Italia
Alternate Auditor	Umberto Rangoni	Bologna, 13/7/56	FY 30/6/11	<p>Sole Director, Evergreen</p> <p>Sole Director, Evergreen Servizi</p> <p>Sole Director, San Camillo</p> <p>Director, Cias Acciai</p> <p>Director, Fidelitas Audit</p> <p>Chairman, Statutory Audit Committee Appennino Risorse</p> <p>Chairman, Statutory Audit Committee CTE – Centro Terminal Europa</p> <p>Chairman, Statutory Audit Committee General Sider Italiana – G.S.I.</p> <p>Chairman, Statutory Audit Committee Meda –Vita</p> <p>Chairman, Statutory Audit Committee Museo della città di Bologna</p> <p>Chairman, Statutory Audit Committee Riveco Generalsider</p> <p>Chairman, Statutory Audit Committee Sintra – Società Intermodale Trasporti</p> <p>Chairman, Statutory Audit Committee TAG – General Air Transport</p> <p>Standing Auditor, Sissi Rossi</p> <p>Standing Auditor, Starday</p>

Post	Name	Place and date of birth	Term expires	Posts held in other companies*
				Standing Auditor, Xtel

\* *The full list of posts held in other companies may be found on the Bank's website.*

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.

### *Conflicts of interest among bodies responsible for governance, management and supervision*

Some members of the Board of Directors (see the table above) also hold posts in other Italian or non-Italian banks. This situation could generate conflicts of interests. If such situations were to occur, these would be dealt with in accordance with the legislation in force.

At an annual general meeting held on 28 October 2008, 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. The Board of Directors reviews the posts held in other companies on an annual basis, reporting any critical issues to shareholders at the next successive general meeting. To this end, each Director informs the Board of any activities undertaken in the course of his/her term of office which may be in competition with those of Mediobanca.

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.

### **Share capital**

#### *Amount of share capital issued*

As at 22 December 2010, the Mediobanca's share capital, fully subscribed and paid up, totalled € 430,551,480.00, made up of 861,102,960 par value €0.50 shares.

#### *Convertible bonds, exchangeable bonds and bonds cum warrant*

In the board meeting held on 18 September 2009, the Board of Directors of Mediobanca adopted *inter alia* a resolution to issue a total of 803,855,665 warrants to be assigned to shareholders free of charge on the basis of one warrant for each of the 803,855,665 shares in issue other than the treasury shares and the shares forming part of the scrip issue implemented simultaneously. The warrants entitle their holders to apply for subscription - as from 1 January 2010 and by and no later than 18 March 2011 – for new shares to be issued in a nominal amount of €57,418,261.50, via the issue of up to 114,836,523 new par value €0.50 shares, ranking for dividends *pari passu*, to be reserved for use in connection with the exercise of warrants, on the basis of 1 new share for every 7 warrants exercised at a price of €9.00.

The Warrants have been made available to the Shareholders entitled to them starting from 1 October 2009.

At the date of this Base Prospectus, no exchangeable or convertible bonds have been issued.

## Main Shareholders

### *Information on ownership structure*

Individuals or entities who based on the shareholders' register and available information as at 31 October 2010 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 capital
1	UNICREDIT S.p.A.	8.6616%
2	BOLLORE' group	5.0636%
3	GROUPAMA group	4.9274%
4	PREMAFIN Finanziaria S.p.A. Holding	3.8346%
5	MEDIOLANUM group	3.3788%
6	FONDAZIONE CASSA DI RISPARMIO di Ve/Vi/Bl/An	3.136%
7	EFIPARIND BV	2.6209%
8	FONDAZIONE CASSA DI RISPARMIO IN BOLOGNA	2.3825%
9	EDIZIONE S.r.l.	2.1629%
10	SILVIO BERLUSCONI	2.0571%
11	BLACKROCK Inc.	2.0044%

Mediobanca shareholders representing approx. 44.5% 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). The Shareholders' Agreement expires on 31 December 2011.

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 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*

As at the date of this Base Prospectus, 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*

Reconta Ernst & Young S.p.A., a company with its registered offices in Via della Chiusa 2, Milan, Italy, has audited the individual and consolidated financial statements of Mediobanca as at 30 June 2009 and 30 June 2010. Reconta Ernst & Young S.p.A. is registered under No. 2 in the Special Register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of the *Testo Unico delle Disposizioni in Materia di Mercati Finanziari* and under No. 70945 in the Register of Accounting Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992, and is also a member of the *ASSIREVI - Associazione Nazionale Revisori Contabili*.

At an annual general meeting held on 27 October 2007, the shareholders of Mediobanca approved a resolution to extend the duration of the mandate thus granted to audit the 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, to include the financial years ending 30 June 2010, 2011 and 2012.

*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 hereof, 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 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:

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 €153m. The present status of the trials in respect of these claims is as follows:



- the court of appeals in Milan has ruled in favour of Mediobanca on four claims, three of which rulings have been challenged in the court of cassation;
- the court of appeals in Milan has ruled against the Bank on eight claims, in respect of which six appeals have been submitted;
- the court of Florence has ruled in favour of Mediobanca on one claim, which has been appealed by the plaintiff.

A “provision for risks and liabilities” has been made in the balance sheet as at 30 June 2010 in an amount of €156.3m 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**

In the past two years neither Mediobanca nor any of the companies controlled by Mediobanca has entered into agreements outside of their normal course of business which could result an obligation or entitlement for Group members that would impact significantly on the 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 2010, 2009 and 2008 were prepared in accordance with IFRS. The unaudited consolidated financial statements as at and for the three months ended 30 September 2010, 2009 and 2008 were not prepared in accordance with IAS 34, in compliance with the relevant CONSOB regulatory provisions (*i.e.* Schedule 3D of Regulation No. 11971/99 as amended from time to time).

All of the above consolidated annual and three month financial statements, prepared in each case together with the notes thereto, are incorporated by reference in this Base Prospectus. See “Documents Incorporated by Reference”.

All of the above annual consolidated financial statements 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 has been incorporated in 1990 and its registered office has been transferred in Luxembourg by a resolution of the Shareholders before notary on December 21, 2005 and the articles of incorporation have been published in the <i>Memorial 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>Memorial Recueil des Sociétés et Associations</i> number 2995 on 24 December 2007.
Registered Office:	14 Boulevard Roosevelt, L-2450 Luxembourg.
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 121,226,578 as at 30 June 2010.
Controlling Shareholders:	Mediobanca - Banca di Credito Finanziario S.p.A.

### 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
Luca Tiziano Maccari	Milano on 14 March 1971	-
Peter Gerrard	New York on 21 October 1947	International banking executive
Stefano Pellegrino	Cassino on 22 January 1966	Head of equity investment Mediobanca Banking Group Unit
Silvio Perazzini	Gargnano on 27 June 1943	External advisor of Mediobanca
Federico Potsios	Rome on 17 July 1963	Lending division manager in Mediobanca
Daniel Cardon de Lichtbuer	Braaschaat on 16 November 1930	International banking executive
Alex Schmitt	Luxembourg on 24 March 1953	Attorney at law, member of Luxembourg bar, partner of the law firm Bonn Schmitt Steichen

The business address of each of the directors is 14 Boulevard Roosevelt, L-2450 Luxembourg, with the exception of Alex Schmitt whose business address is 22-24 Rives de Clausen, L-2165 Luxembourg.

Other than as disclosed in the table above, there are no significant conflicts of interests in relation to the update of the Programme 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 Luca Tiziano Maccari (Board member).

Approved statutory auditors:

Pursuant to a resolution adopted by the Board of Directors on 22 October 2008, the Luxembourg office of Ernst & Young was appointed as external auditors to audit Mediobanca International's

annual financial statements prepared in accordance with IFRS as adopted by the European Union.

Ernst & Young are registered with the Commission de Surveillance du Secteur Financier.

### **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*”.

## Capitalisation

The following table shows the capitalisation in Euro of Mediobanca International as at 30 June 2010, 2009 and 2008.

As at 30 June				
		2010	2009	2008
		(Euro)		
Shareholders equity				
Share capital		10,000,000	10,000,000	10,000,000
Reserves		121,226,578	91,989,750	77,619,512
Retained earnings		--	--	--
Net profit		35,291,946	29,236,828	14,370,238
Total	Shareholder's equity	166,518,524	131,226,578	101,989,750
Medium and long-term debt				
1. Amounts owed to credit institutions		1,643,810,890	141,687,652	2,610,478,806
2. Notes and bonds payable		1,881,649,089	1,191,269,424	1,341,385,977
Total	medium and long-term debt	3,525,459,979	1,332,957,076	3,951,864,783
Total capitalisation		3,691,978,503	1,464,183,654	4,053,854,533

## Cash Flow Statements

The following tables set forth cash flow statements for Mediobanca International for the years ended 30 June 2010, 2009 and 2008:

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Year ended 30 June</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<i>(Euro thousands)</i>		
<b>Operating activities</b>	<b>-410,437</b>	<b>79,629</b>	<b>42,103</b>
- interest received	216,816	337,697	328,663
- interest paid	-133,045	-266,490	-295,051
- net fee and commission received	-491,500	-6,363	10,927
- cash payments to employees	-822	-769	-702
- other expenses paid	-1,886	15,554	-1,734
- other income received	-	-	-
<b>Cash generated/(absorbed) by financial assets</b>	<b>5,296,033</b>	<b>13,918,451</b>	<b>1,330,886</b>
- trading securities	-	-	-
- amounts due from customers	-1,668,945	-1,897,180	475,755
- amounts due from banks: on demand	4,442,220	15,336,370	1,343,251
- amounts due from banks: other	2,437,729	1,407,156	-487,840
- other assets	85,029	-927,895	-280
<b>Cash (generated)/absorbed by financial liabilities</b>	<b>-4,885,595</b>	<b>-13,998,080</b>	<b>-1,372,983</b>
- amounts due to banks: on demand	-4,849,393	-57,185	---
- amounts due to banks: other	191,728	70,851	-296,504
- amounts due to clients	-2,014,195	-8,705	-30,552
- debt securities in issue	1,892,974	-13,345,059	-1,044,253
- other liabilities	-106,709	-657,982	-1,674
<b>Net cash flow (outflow) from operating activities</b>	<b>1</b>		<b>6</b>
<b>CASH FLOW FROM INVESTMENT</b>			

**ACTIVITIES**

<b>Cash absorbed by</b>	-	-	-7
- acquisitions of tangible assets	-	-	-7
- acquisitions of intangible assets	-	-	
<b>Net cash flow (outflow) from investment activities</b>	-	-	-7

**FUNDING ACTIVITIES**

- issues/purchases of treasury shares	-	-	-
- issues/purchases of equity instruments	-	-	-
- issues/purchases of subordinated debt	-	-	-
<b>Net cash flow (outflow) from funding activities</b>	-	-	-
<b>NET CASH FLOW (OUTFLOW) DURING YEAR/PERIOD</b>	<b>1</b>	-	<b>-1</b>



**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 2010, 2009 and 2008, 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 2010, 2009 and 2008 have been prepared in accordance with IFRS.

All of the above annual non-consolidated financial statements of Mediobanca International have been audited by Ernst & Young Luxembourg, whose reports thereon are attached to such annual financial statements.

## PLAN OF DISTRIBUTION

References in this Base Prospectus to “**Permanent Dealers**” are to the persons listed in the paragraph headed “Dealers” in the section headed “Description of the Euro 40,000,000,000 Issuance Programme” above and to such additional persons which are appointed from time to time as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed from time to time as a dealer solely in respect of one or more Tranches.

Subject to the terms and conditions contained in an amended and restated dealer agreement dated 13 January 2011 as further amended or supplemented from time to time (the “**Dealer Agreement**”) between the Issuers, the Guarantor, the Arrangers and the Permanent Dealers, the Notes and the Securities will be offered on a continuous basis by each Issuer to the Permanent Dealers. However, the relevant Issuer has reserved the right to sell Notes or Securities directly on its own behalf to Dealers which are not Permanent Dealers. The relevant Issuer may also offer and sell Notes directly to investors without the involvement of any Dealer. The Notes or 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 Notes or 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 Notes or 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 whom, where applicable, the Guarantor, has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes or 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 the Final Terms issued in respect of the issue of Notes or Securities to which it relates or 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 Notes or 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 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 Notes or 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 Notes or 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 Notes or 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 Notes or Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes or the Securities specify that an offer of those Notes or 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 Notes or 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;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (d) at any time, to fewer than 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 Issuer for any such offer; or
- (e) at any time in any other circumstances which do not require the publication by the Issuer of a Base Prospectus pursuant to Article 3(2) of the Prospectus Directive

provided that no such offer of Notes or Securities referred to in (b) to (e) above shall require the 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:

- (i) an “**offer of Notes or Securities to the public**” in relation to any Notes or 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 Notes or Securities to be offered so as to enable an investor to decide to purchase or subscribe the Notes or the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- (ii) the “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **United States of America**

The Notes and 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.

Notes or 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, except as permitted by the Dealer Agreement, it will not offer sell or deliver the Notes or the Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Notes or 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 Notes or Securities to or through more than one Dealer, by each of such Dealers as to the Notes or 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 Notes or Securities during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes or 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 Notes or 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).

Each Series of Notes or Securities may also be subject to such further United States selling restrictions as the relevant Issuer and the relevant Dealer may agree and as indicated in the relevant Final Terms.

## **United Kingdom**

In relation to each Tranche of Notes or Securities, each Dealer subscribing for or purchasing such Notes 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 that:

- (a) *No deposit-taking*: in relation to any Notes or 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 Notes or 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 Notes or 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 Notes or 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 Notes or Securities in, from or otherwise involving the United Kingdom.

## Republic of Italy

The offering of the Notes or Securities has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that, save as set out below, it has not offered or sold, and will not make an offer of any Notes or Securities to the public in the Republic of Italy and that sales of the Notes or the Securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or Securities or distribute copies of this Base Prospectus or any other document relating to the Notes or Securities in the Republic of Italy except:

1. that each Dealer may make an offer of Notes or Securities to the public if the final terms in relation to the Notes specify that a Non-exempt Offer may be made in the Republic of Italy, including without limitation, by means of an offer of Notes or Securities to the public following the date of publication of a prospectus in relation to such Notes or Securities and provided that such prospectus has been (i) approved in another Relevant Member State and notified to CONSOB and (ii) completed by final terms expressly contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, as implemented in the Republic of Italy under Legislative Decree No. 58 of 24 February 1998, as amended (“**Decree No. 58**”) and CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971/1999**”), in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

2. to “**qualified investors**” (*investitori qualificati*), as defined under Article 34-ter, first paragraph, letter b) of Regulation No. 11971/1999, implementing Article 100, paragraph 1(a) of Decree No. 58; or
3. in other circumstances which are exempted from the rules on public offerings, as provided under Decree No. 58 or Regulation 11971/1999.

Any such offer, sale or delivery of the Notes or Securities or distribution of copies of the Base Prospectus or any other document relating to the Notes or Securities in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended from time to time, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and any other applicable laws and regulations; and
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian regulatory authority.

*Provisions relating to the secondary market*

Potential Purchasers should also note that in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies under paragraphs (2) and (3) above, the subsequent distribution of the Notes or Securities on the secondary market in the Republic of Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971/1999. Failure to comply with such rules may result in the sale of such Notes or Securities being declared null and void and in the intermediaries transferring the Notes being liable for any damages suffered by investors or potential investors.

**Japan**

The Notes and Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes or 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 NOTE FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes 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] Notes due [maturity]**

**[guaranteed in the case of Notes issued by  
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. by**

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

**under the**

**Euro 40,000,000,000**

**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 Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (the “**Prospectus Directive**”) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any 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 39 (*Non-exempt offer*) of Part A below, provided such person is one of the persons mentioned in Paragraph 39 (*Non-exempt offer*) of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]<sup>1</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 Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (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 Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any 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 Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]<sup>2</sup>

[This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 13 January 2011 [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). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as supplemented from time to time]. Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address]]

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<sup>1</sup> Include where a non-exempt offer of Notes is anticipated.

<sup>2</sup> Include where an exempt offer of Notes is anticipated.



*[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 Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [date of original base prospectus]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 13 January 2011 [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] and are attached hereto. Full information on the Issuer [and the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [date of original base prospectus] and 13 January 2011 [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 Issuer [and of the Guarantor] [at [ ]].] The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

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

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

[The purchase of Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth in the Base Prospectus (including “Risk Factors” on pages 32 to 70 thereof) ]. [and the supplement thereto] referred to above and these Final Terms [(including Part C thereof)].

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

By investing in the Notes each investor represents that:

- (a) *Non-Reliance.* It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it

based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or the Dealers as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer or the Dealers shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.

- (b) *Assessment and Understanding.* It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.
- (c) *Status of Parties.* Neither the Issuer nor the Dealers is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.]

## PART A – GENERAL

- |    |        |                 |        |
|----|--------|-----------------|--------|
| 1. | [(i)]  | Issuer:         | [   ]  |
|    | [(ii)] | [Guarantor:     | [   ]] |
| 2  | (i)    | Series Number:  | [   ]  |
|    | (ii)   | Tranche Number: | [   ]  |

*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*

- |    |               |  |               |
|----|---------------|--|---------------|
| 3. |               | Specified Currency or Currencies:                      | [   ]         |
| 4. |               | Aggregate Nominal Amount of Notes admitted to trading: |               |
|    | (i) Series:   |  | [Up to] [   ] |
|    | (ii) Tranche: |  | [Up to] [   ] |

[The Aggregate Nominal Amount will not exceed [   ] and will be determined at the end of the Offer Period (as defined in paragraph [11] of Part B below) and such final amount will be filed with the CSSF as competent authority and published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) pursuant to Articles 8 and 14(2) of the Prospectus

Directive.]

5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: [ ] [and integral multiples of [ ] in excess thereof up to and including [ ]]. No Notes in definitive form will be issued with a denomination above [ ].]
- (Notes including Notes denominated in Sterling, in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of the Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)
- (ii) Calculation Amount: [ ] (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in relevant month and year.]
- (If the Notes are Extendable Notes, provide details of the option of holders of Notes or the Issuer to extend the Maturity Period and the manner in which it may be exercised in paragraph 31 (Details relating to Extendable Notes below.)

**(N.B. Notes qualifying for Italian tax purposes as “obbligazioni” or similar securities issued by Mediobanca – Banca di Credito Finanziario S.p.A. with a Maturity Period of less than 18 months are subject to a withholding tax at the rate of 27 per cent. Per annum in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer shall not be liable to pay any additional amounts to Noteholders in relation to any such withholding.)**

*(N.B. Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy’s requirements applicable to the issue of Subordinated Notes by the Issuer, (i) Upper Tier II Subordinated Notes must have a minimum maturity of ten years, (ii) Lower Tier II Subordinated Notes must have a minimum maturity of five years and (iii) Tier III Subordinated Notes must have a minimum maturity of two years.)*

*(If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.)*

9. Interest Basis:

[[ ] per cent. Fixed Rate]

[[specify reference rate] +/- [ ]per cent.  
Per annum Floating Rate]

		[Zero Coupon]
		[Index-Linked or other Variable-Linked Interest]
		[Dual Currency]
		[Other ( <i>specify</i> )]
		(further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par]
		[Index-Linked or other Variable-Linked Redemption]
		[Dual Currency]
		[Partly Paid]
		[Instalment]
		[Credit-Linked]
		[Other ( <i>specify</i> )]
		<i>(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)</i>
11.	Change of Interest or Redemption/Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12.	Put/Call Options:	[Investor Put]
		[Issuer Call]
		[(further particulars specified below)]
13.	(i) Status of the Notes:	[Senior/[Dated/Perpetual]/
		Upper Tier II Subordinated/
		Lower Tier II Subordinated/
		Tier III Subordinated]

[(ii)	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]]  <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related guarantee of the Notes)</i>
14.	Method of distribution:	[Syndicated/Non-syndicated]
[15].	[Taxation:]	[No Gross Up is applicable pursuant to paragraph (ix) of Condition 7 (a) (Taxation - Gross Up) of the Terms and Conditions of the Notes]  <i>[For further details of the Early Redemption Amount payable on redemption for taxation reasons see paragraph 26 (Early Redemption Amount) below]</i>
16	Governing Law:	[English law]  [Italian law]  <i>[If the Governing Law is Italian law, specify in the Annex the provisions of the Terms and Conditions that are not applicable to the Notes]</i>

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

17.	<b>Fixed Rate Note Provisions</b>	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]  <i>(N.B. This will need to be amended in the case of long or short coupons)</i>
(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount

- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
- (v) Adjustment to Interest Period End Date [Applicable/Not Applicable]
- (vi) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vii) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/360 / Actual/365 / Other]
- (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
18. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph.)*
- (i) Interest Period(s): [ ]
- (ii) Interest Payment Dates: [ ]
- (iii) First Interest Payment Date: [ ]
- (iv) Adjustment to Interest Period End Date [Applicable/Not Applicable]
- (v) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vi) Additional Business Centre(s): [Not Applicable/*give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (viii) 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)*
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining*

*sub-paragraphs of this paragraph (vii))*

- Reference Rate: [ ] [EURIBOR / LIBOR / other (give details)]
- Interest Determination Date(s): [ ]  
*Typically second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second TARGET Settlement Day prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [For example, Reuters page EURIBOR01/other (give details)]
- Relevant 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))]
- (x) 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: [ ]
- (xi) Margin(s): [+/-][ ] per cent. per annum
- (xii) Minimum Rate of Interest: [ ]
- (xiii) Maximum Rate of Interest: [ ]
- (xiv) Day Count Fraction: [ ]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate [ ]



Notes, if different from those set out  
in the Conditions:

19. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum.
- Calculated as [*include details of method of calculation in summary form*] on the Issue Date on the basis of the Issue Price.
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ] [*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 4(l) (Late payment on Zero Coupon Notes) or Condition 5(e) (Early Redemption of Zero Coupon Notes) of the Terms and Conditions of the Notes*]
20. **Index-Linked Interest or other Variable-Linked Interest Note Provisions** [Applicable/Not Applicable]
- (Note that Index-Linked Interest or other Variable-Linked Interest Note Provisions may apply to any Notes bearing interest linked to a variable)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/variable: [Give or annex details]
- (ii) 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)*]
- (iii) Provisions for determining the Rate(s) of Interest and Interest Amount(s) where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Coupon [ ]

Rate(s) of Interest and Interest Amount(s) where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:

- (vi) Interest or calculation period(s): [ ]
- (vii) Specified Interest Payment Dates: [ ]
- (viii) Adjustment to Interest Period End Date [Applicable/Not Applicable]
- (ix) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (x) Additional Business Centre(s): [ ]
- (xi) Minimum Rate of Interest: [ ]
- (xii) Maximum Rate of Interest: [ ]
- (xiii) Day Count Fraction: [ ]

21. **Dual Currency Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Fiscal Agent): [ ] *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]*
- (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable: [ ] *(Need to include a description of any market disruption or settlement disruption events and adjustment provisions)*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

22. **Call Option** [Applicable/Not Applicable]

*(If not applicable, delete the remaining*

*sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount [ ] per Calculation Amount
  - (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice period: [ ] (*at least 5 business days prior notice*)

23. **Regulatory Call**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

*(N.B. Only relevant in the case of Subordinated Notes)*

- (i) Early Redemption Amount payable on redemption for regulatory reasons (subject to the prior approval of the Bank of Italy) as contemplated by Condition 5 (g) (F) and/or the method of calculating the same (if required) [[ ] per Calculation Amount/specify other/see Appendix]

24. **Put Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period: [ ]

25. **Final Redemption Amount of each Note**

[[ ] per Calculation Amount / other / see Appendix]

*[Include the following in cases where the Final Redemption Amount is Index-Linked or other Variable-Linked]* (N.B. If the Final Redemption Amount is other than 100 per cent. of the principal amount, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive will apply)

- (i) [Index/Formula/variable [give or annex details]]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [ ] [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function).
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted [ ]
- (vi) Payment Date [ ]
- (vii) Minimum Final Redemption Amount [ ] per Calculation Amount
- (viii) Maximum Final Redemption Amount [ ] per Calculation Amount

*[Include the following in cases where the Final Redemption Amount is linked to Dual Currency Note provisions]*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible for calculating the Final Redemption Amount: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or [ ]

impracticable:

- (iv) Person at whose option Specified [ ] Currency(ies) is/are payable:]

*[In the case of Credit-Linked Notes, include (i) Final Redemption Amount if no Credit Event, (ii) Final Redemption Amount upon Credit Event (including Valuation Method, where applicable), and (iii) Final Redemption Amount upon Uncured Default being cured or Final Redemption where the Uncured Default is not cured]*

## 26. **Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or pursuant to a Seller Merger Notice and/or the method of calculating the same (if required or if different from that set out in the Conditions):

[[ ] per Calculation Amount/specify other/see Appendix]

[An amount in the Specified Currency being the Nominal Amount of the Notes]

[An amount in the Specified Currency being the higher of (i) the Nominal Amount of the Notes and (ii) the fair economic value of the Notes at the date of redemption, as determined and calculated by the Calculation Agent in its sole discretion in good faith and in a commercially reasonable manner as representing the fair economic value of the Note at the date of redemption].

[An amount in the Specified Currency which the Calculation Agent will determine and calculate in its sole discretion in good faith and in a commercially reasonable manner as representing the fair economic value of the Note at the date of redemption, without making any reduction to such value by reason of the financial condition of the Issuer but taking into account (without duplication) any costs and expenses incurred by the Issuer in connection with the termination of any

agreement or instrument entered into by the Issuer for the purposes of hedging the risk arising from the entering into and performance of its obligations under the Notes.]

[The Early Redemption Amount Payable on Event of Default shall be Euro [ ] for each Note of Euro [ ] Specified Denomination.]

[See also paragraph 23 (Regulatory Call)]  
*(Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable)*

## 27. Exchangeable Note Provisions

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- |        |                                    |   |
|--------|------------------------------------|---|
| (i)    | Underlying Asset:                  | [ ] <i>[Specify details of underlying asset</i>   |
| (ii)   | Reference Share Price:             | [ ]   |
| (iii)  | Strike price:                      | [ ]   |
| (iv)   | Reference Shares per denomination: | [ ]   |
| (iv)   | Initial Conversion Price:          | [Applicable/Not Applicable]<br>[[ ]/see Appendix] |
| (v)    | Initial Conversion Ratio:          | [Applicable/Not Applicable]<br>[[ ]/see Appendix] |
| (vi)   | Conversion Period:                 | [Applicable/Not Applicable]<br>[[ ]/see Appendix] |
| (vii)  | Extraordinary Dividend Protection: | [Applicable/Not Applicable]<br>[[ ]/see Appendix] |
| (viii) | Change of Control Protection:      | [Applicable/Not Applicable]<br>[[ ]/see Appendix] |
| (ix)   | Anti-dilution provisions:          | [Applicable/Not Applicable]<br>[[ ]/see Appendix] |

	(x)	Redemption amount/delivery of [ ] underlying asset:	
	(xi)	Terms or special conditions applying to Exchangeable Notes	[Not Applicable / <i>provide details</i> ]
28.	<b>Physical Delivery Notes Provisions</b>		[Applicable/Not Applicable]
			<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
			<i>(N.B. Not applicable to Credit Linked Notes)</i>
			[Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery]
			<i>(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)</i>
			[The Additional Terms and Conditions for Physical Delivery Notes shall apply.]
	(i)	Relevant Asset(s):	[ ]
	(ii)	Entitlement:	[ ]
	(iii)	Cut-Off Date:	[ ]
			<i>[Insert such date prior to the Maturity Date to allow for the delivery of the type of assets which comprises the Entitlement]</i>
	(iv)	Guaranteed Cash Settlement Amount:	[As specified in Condition 2/[ ]]
	(v)	Failure to Deliver due to Illiquidity:	[Applicable/Not Applicable]
	(vi)	Delivery provisions for Entitlement if different from Physical Delivery Note Conditions:	[ ]
	(vii)	Settlement Business Day:	[ ]

- (viii) Issuer's option to vary Settlement: [Applicable/Not Applicable]
- (ix) Other terms or special Conditions: [ ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

29. Form of Notes: **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].
- [In relation to any Notes issued with a denomination of €50,000 (or equivalent) and integral multiples of €1,000 (or equivalent) or €100,000 (or equivalent) and integral multiples of €1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable for Definitive Notes in the limited circumstances of (1) closure of the ICSDs; and (2) default of the Issuer.]*
- [The Notes 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 Issuer], as Centralised Custodian.]
- [N.B. If the Governing Law is Italian law. See paragraph 16]*
30. New Global Note form: [Yes/No]
31. Additional Financial Centre(s) or [Not Applicable/give details]



other special provisions relating to  
Payment Business Dates:

*[Note that this item relates to the date and  
place of payment and not to interest  
period end dates]*

32. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
33. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
34. Details relating to Instalment Notes: (amount of each instalment, date on which each payment is to be made): [Not Applicable/*give details*]
35. Details relating to Extendable Notes: [Not Applicable/*give details*]
36. **Total Repurchase Option / Partial Repurchase Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Total Repurchase Option date / Partial Repurchase Option date(s): [ ]
- (ii) Repurchase amount(s) and method(s), if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period: [ ] *(at least 5 business days prior notice)*
37. Other terms or special conditions: [Not Applicable/*give details*]
38. **Credit Linked Provisions:** [Applicable/Not Applicable]
- (i) Type of Notes: [Single Name Credit-Linked Notes/First-to-Default Credit-Linked Notes/N<sup>th</sup>-to-Default Credit-Linked Notes\*/ Basket

Credit-Linked Notes/other]

[\* Where the Notes are N<sup>th</sup>-to-Default Credit Linked Notes, Specify the value of N, e.g. "Second-to-Default Credit Linked Notes"]

(ii) Settlement Basis: [Cash Settlement/Physical Settlement/Auction Settlement or Physical Settlement or Physical Settlement or Auction Settlement]

Fallback Settlement Basis: [Cash Settlement/Physical Settlement//Not Applicable]

(iii) Reference Entity/ies: [*Specify*]

(iv) Reference Obligation(s): [*Specify*]

(v) All Guarantees: [Applicable/Not applicable]

(vi) Credit Events: [*Specify*]

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: [Not] Applicable

Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [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: [Not Applicable]
		[Select all that apply]
(vii)	Conditions to Settlement:	Credit Event Notice/ Notice of Publicly Available Information/ Notice of Physical Settlement [Select all that apply]
		Credit Event Determination Date Version A: [Not] Applicable
		Credit Event Determination Date Version B: [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 applicable to:	
	(a) Repudiation/ Moratorium Extension Condition:	[Yes/No]
	(b) Grace Period Extension Condition:	[Yes/No]
(ix)	Grace Period Extension:	[Applicable/Not Applicable]
(x)	Grace Period:	[ ] days
		[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.]
(xi)	Relevant Currency:	[Specify]
(xii)	Relevant Jurisdiction:	[Specify]
(xiii)	Credit Observation Start Date:	[Specify alternative date or delete

*paragraph]*

*[If Credit Observation Start Date precedes Issue Date, then additional disclosure required notifying prospective investors of the same and highlighting that Noteholders have exposure to Credit Events occurring prior to the Issue Date notwithstanding that Noteholders will not receive interest for any period prior to the Issue Date]*

- |          |  |  |
|----------|--|--|
| (xiv)    | Scheduled Observation End Date:                                  | <i>[Specify alternative date (such as the date on which the Issuer has sold credit protection in respect of the Reference Entity or Reference Entities) or delete paragraph]</i>                         |
| (xv)     | Interest            Payment            Date<br>Postponement:     | <i>Applicable [Specify as Applicable if Interest Payment Dates are to be delayed pending resolution of Potential Failure to Pay. If no such postponement is to occur, then delete paragraph]</i>         |
| (xvi)    | Repudiation/Moratorium    Maturity<br>Payment Date Postponement: | <i>Applicable [Specify as Applicable if Interest Payment Dates are to be delayed pending resolution of Potential Repudiation/Moratorium. If no such postponement is to occur, then delete paragraph]</i> |
| (xvii)   | Notice of Publicly Available<br>Information applicable to:       |  |
| (xviii ) | Cash Settlement Date:  | <i>[Specify alternative date or delete paragraph]</i>  |
| (xix)    | Cash Settlement Amount:  | <i>[Recovery Amount/Final Price/Other amount]</i>  |
| (xx)     | Valuation Method:  | <i>[Highest/Market            Value/Average<br/>Highest/Average    Market    /Blended<br/>Highest/Blended            Market/Average<br/>Blended    Market/Average    Blended<br/>Highest]</i>            |
- (Only required if no Cash Settlement Amount is specified)*

	Single Valuation Date:	[Specify]
	Multiple Valuation Date:	[Specify]
	Valuation Dates:	[Specify number of Valuation Dates]
(xxi)	Final Price:	[Specify alternative calculation method or delete paragraph]
(xxii)	Quotations:	[Include Accrued Interest/Exclude Accrued Interest]
(xxiii)	Quotation Amount:	[[€][\$] [ ]]
(xxiv)		[Delete paragraph if Quotation Amount is the outstanding principal balance of the Reference Obligation.]
(xxv)	Valuation Time:	[Specify]
(xxvi)	Auction Cash Settlement Amount:	[Specify alternative meaning or delete paragraph]
(xxvii)	Auction Cash Settlement Date:	[Specify alternative date or delete paragraph]
(xxviii)	Hedge Unwind Adjustment:	[Applicable/Not Applicable]
(xxix)	Physical Settlement Date:	[[ ] Business Days]
(xxx)	Partial Cash Settlement Date:	[Specify alternative meaning or delete paragraph]
(xxxi)	Market Value:	[Specify alternative meaning or delete paragraph]
(xxxii)	Obligation Category:	[Payment/Borrowed Money/Reference Obligations Only/Bond/Loan/Bond or Loan] [Select only one]
(xxxiii)	Obligation Characteristics:	[Not Subordinated Specified Currency/ Not Sovereign Lender/ Not Domestic Currency/ Not Domestic Law/ Listed/ Not Domestic Issuance] [None]  [Select all that apply]
(xxxiv)	Deliverable Obligation Category:	[Payment/Borrowed Money/Reference Obligations Only/Bond/Loan/Bond or Loan] [Select only one]

(xxxv)	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]
(xxxvi)	Business Day(s):	[Specify]
(xxxvii)	Succession Event Backstop Date:	[Specify if subject to adjustment in accordance with a Business Day Convention]
(xxxviii)	Entity Type:	[Specify]
(xxxix)	Extended Maturity Date:	[Specify or delete paragraph]
(xl)	Physical Settlement Matrix:	[Specify]
(xli)	Transaction Type:	[Specify]
(xlii)	Transaction Type Standard Terms:	[Specify]

## DISTRIBUTION

39. (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: [ ]]]

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\* Delete wording in square brackets if the Notes are issued in Denominations of Euro 50,000 or more.

(ii[i])	Stabilising Manager(s) (if any):	[Not Applicable/give <i>name</i> ]
40.	If non-syndicated, name [and address] * of Dealer:	[Not Applicable/give <i>name and address</i> ]
41.	[Total commission and concession:	[ ] per cent. Of the Aggregate Nominal Amount] *
42.	US Selling Restrictions:	[Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]
43.	Non-exempt offer:	[Not Applicable] [An offer of the Notes may be made by the Managers and [ <i>specify if applicable</i> ] other than pursuant to Article 3(2) of the Prospectus Directive in [ <i>specify relevant Member State(s)</i> ] – which must be jurisdictions where the Prospectus and any supplements have been passported] (“ <b>Public Offer Jurisdictions</b> ”) during the period from [ <i>specify date</i> ] until [ <i>specify date</i> ] (“ <b>Offer Period</b> ”). See further Paragraph 11 ( <i>Terms and Conditions of the Offer</i> ) of Part B below.
41.	Additional selling restrictions:	[Not Applicable/give <i>details</i> ]

## [PURPOSE OF FINAL TERMS

These Final Terms comprises the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] and [admission to trading on [*specify relevant regulated market*] of the Notes described herein] pursuant to the Euro 40,000,000,000 Issuance Programme.]

## <sup>1</sup> [INFORMATION RELATING TO THE ISSUER

The following information relating to the Issuer is provided pursuant to Article 2414 of the Italian Civil Code.

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<sup>1</sup> Delete where Issuer is Mediobanca International.

Mediobanca – Banca di Credito Finanziario S.p.A. is an Italian company with its registered office at Piazzetta E. Cuccia 1, Milan, Italy, registered at the Companies’ Registry of the Chamber of Commerce in Milan under registration number 00714490158.

The Issuer shall engage in the activities described below:

- (a) the raising of funds and provision of credit in any forms permitted, especially medium- and long-term credit to corporates; and
- (b) within the limits laid down by current regulations, the execution of all banking, financial and intermediation-related transactions and/or services and the carrying out of any transactions deemed to be instrumental to or otherwise connected with achievement of the Issuer’s purpose.

As part of its supervisory and coordinating activities in its capacity as parent company of the Mediobanca Banking Group (the “**Group**”) within the meaning of Article 61/4 of Legislative Decree No. 385 dated 1 September 1993, the Issuer shall also issue directives to member companies of the Group to comply with instructions given by the Bank of Italy in the interests of maintaining the Group’s stability.

At the time of the issuance the share capital is equal to [430,551,480.00], consisting of [861,102,960] ordinary shares with a nominal value of Euro 0.50 each and the reserves and retained earnings are equal to [4,381,644,119.23] ] ***[DETAILS IN SQUARE BRACKETS TO BE CHECKED AT THE RELEVANT ISSUE DATE]***.

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for 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 Issuer:

By:.....

Duly authorised

By: .....

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

Duly authorised

By: .....

Duly authorised]



## PART B – OTHER INFORMATION

1. (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [ ] [Application is expected to be made by the Issuer (or on its behalf) for the Notes 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 Notes are already admitted to trading.)
- [(iii) [Estimate of total expenses related to admission to trading: [ ] [*Delete if the information in paragraph 5(iii) (Estimated total expenses) below is to be provided*]]\*\*

## 2. RATINGS

Ratings: [The Notes to be issued have been rated [*rating(s)*] by [*credit rating agency/agencies*]. [This credit rating has / These credit ratings have] been issued by [*full name of legal entity which has given the rating*] which [is/is not] established in the European Union and [is/is not] registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.].

[*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*]

## [3.] [NOTIFICATION]

[*The CSSF [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.*]

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\*\* Delete if the Notes are issued in Denominations of less than Euro 50,000.

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Save for the fees payable to the managers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

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

[(i) Reasons for the offer: [ ]

*(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: [ ]

*(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: [ ]

*[Include breakdown of expenses.]]\*\*\**

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

[6. **[[Fixed Rate Notes only] YIELD**

Indication of yield: [ ]

Calculated as *[include details of method of calculation in summary form]* on the Issue Date

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

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\* Delete if the Notes are issued in denominations of Euro 50,000 or more, unless the Notes are derivative securities to which Annex XII of the Prospectus Directive applies (in which case see footnote below).

\*\*\* If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.

7. **[[Floating Rate Notes only] HISTORIC INTEREST RATES**

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

[8. **[[Index-Linked or other variable-linked Notes only] PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.] Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

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

[9. **[[Dual Currency Notes only] PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

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

[10.] **OPERATIONAL INFORMATION**

ISIN: [ ]

Common Code: [ ]

New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable/Yes/No][Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem, either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

*[Include this text if “Yes” selected in which case the*

*Notes must be issued in NGN form]*

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):

## 11. **TERMS AND CONDITIONS OF THE OFFER** \*

Offer Period: [ ] to [ ]

Offer Amount: [ ] [provided that, during the Offer Period, the Issuer will be entitled [(following consultation with the relevant Dealer(s))] to increase such Offer amount up to [ ]] [provided [further] that, during the Offer Period the 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 13 (*Notices*) of the Terms and Conditions of the Notes and comply with any applicable laws and regulations.]

Offer Price: [Issue Price][specify]

Conditions to which the offer is subject: [Not Applicable/give details]

Description of the application process: [Not Applicable/give details]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/give details]

Details of the minimum and/or [Not Applicable/give details]

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\* Delete if the Notes are issued in denominations of Euro 50,000 or more.

maximum amount of application:

Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/*give details*]

Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]

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

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/*give details*]

## FORM OF SECURITIES FINAL TERMS

*The Final Terms in respect of each Tranche of Securities will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and 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] [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**

**Euro [40,000,000,000]**

**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) (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 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 [54] (*Non-exempt offer*) of Part A below, provided such person is one of the persons mentioned in Paragraph [54] (*Non-exempt offer*) of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.]<sup>1</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) (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 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 Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances.]<sup>2</sup>

[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 13 January 2011 [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). 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 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

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<sup>1</sup> Include where a non-exempt offer of Securities is anticipated.

<sup>2</sup> Include where an exempt offer of Securities is anticipated.

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) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 13 January 2011 [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] and are attached hereto. Full information on the 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 [date of original base prospectus] and 13 January 2011 [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 Issuer [and of the Guarantor] [at [ ]]. The Base Prospectus and, in the case of Securities admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

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

*[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 £100,000 or its equivalent in any other currency.]*

[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 purchasers of Securities 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 the Base Prospectus (including “Risk Factors” on pages 32 to 70 thereof). [and the supplement thereto] referred to above and these Final Terms [(including Part C thereof)].

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

By investing in the 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 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 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 Issuer nor the Dealers is acting as a fiduciary for or adviser to it in respect of the investment in the Securities.]

## PART A – GENERAL

1. [(i)] Issuer: [ ]

[(ii)] [Guarantor: [ ]]

2 (i) Tranche Number: [ ]

(ii) Specific provisions for each Series:

Series number	No. of Securities issued	[No. of Securities per Unit <sup>2</sup>	Issue price per [Security/Unit] <sup>1</sup>	[Call/Put] <sup>1</sup>	[Exercise Price] <sup>1</sup>	Exercise [Period] <sup>1</sup> / [Date] <sup>1</sup> / ] <sup>1</sup>
[ ]	[ ]	[ ]	[ ]	[Call/Put]	[insert currency]	[from and including ] [ ]
[ ]	[ ]	[ ]	[ ]	[Call/Put]	[insert currency]	[from and including ] [ ]

3. Consolidation: 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)

4. Type of Securities and underlying asset: (a) The Securities are [Certificates] / [Warrants]. The Securities are [Index Securities / Share Securities / Debt

<sup>2</sup> Not applicable for Certificates

Securities / Currency Securities /  
Commodity Securities / Fund Securities  
(*specify other type of Security*)

(b) The index or other item(s) to which the Securities relate is/are [*specify underlying asset*].

5. 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. (*N.B. Only applicable in relation to Share Securities or Index Securities other than Index Securities relating to a Commodity Index.*)]

[In the event of Modified Postponement applying, the Averaging Date will be determined [*specify relevant provisions*] (*N.B. Only applicable in relation to Share Securities or Index Securities other than Index Securities relating to a Commodity Index.*)].]

[*For Index Securities relating to a Commodity Index, Debt Securities, Currency Securities, Commodity Securities or Fund Securities, insert applicable postponement/adjustment provisions for Averaging Dates.*]

6. Issue Date:

The issue date of the Securities is [ ].

7. (i) Exercise Date:

In the case of [European Style Warrants/Certificates] the exercise date of the Securities is set out in paragraph 2 under “Specific Provisions for each Series” above.

(ii) Renouncement Notice Cut-off Time

[ ] (*Only applicable for Italian Listed Securities*)

8. Settlement Date:

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).*

9. Number of Securities being issued: the number of Securities being issued is set out in paragraph 2 under “specific Provisions for each Series”, above.
10. Issue Price: The issue price per [Security/Unit] is set out in paragraph 2 under “specific Provisions for each Series”, above.
11. Settlement Business Day: **“Settlement Business Day”** for the purpose of Condition 4 means [ ]. (*N.B. Only applicable in the case of Physical Delivery Securities*).
12. Exchange Business Day: [ ] (*N.B. Only applicable if different from the definition in Condition 3 or if the Securities are neither Share Securities nor Index Securities*).
13. Business Day Centre(s): The applicable Business Day Centre[s] for the purposes of the definition of “Business Day” in Condition 3 [is/are] [ ].
14. Settlement: Settlement will be by way of [cash payment (“**Cash Settled Securities**”)] [and/or] [physical delivery (“**Physical Delivery Securities**”)].
15. Issuer’s option to vary settlement: The Issuer [has/does not have] the option to vary settlement in respect of the Securities.
16. 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*].
17. Settlement Currency: The settlement currency for the payment of [the Cash Settlement Amount] (*in the case of Cash Settled Securities*)/[the Settlement Disruption Amount] (*in the*

*case of Physical Delivery Securities)* is [ ].

18. Name and address of Calculation Agent: The Calculation Agent is [ ] / (*specify other*).  
[*Insert address of Calculation Agent*]
19. Exchange(s): [For the purposes of Condition 3 and Condition 13, the relevant Exchange[s] [is/are] [ ]]. (*N.B. Only applicable in relation to Share Securities*).
20. Exchange(s), Index Sponsor and Designated Multi-Exchange Indices: [For the purposes of Condition 3 and Condition 13(A):  
(a) the relevant Exchange[s] [is/are] [ ];  
(b) the relevant Index Sponsor is [ ];  
(c) the relevant Index Currency is [ ].[and]  
[(d) [ ] [the Index] is a Designated Multi-Exchange Index].] (*N.B. Designated Multi-Exchange Indices applies in relation to Euro Stoxx Indices*).  
  
(*N.B. Only applicable in relation to Index Securities other than Index Securities relating to a Commodity Index*).
21. Commodity Indices: (a) [ ] [the Index] is a Commodity Index;  
(b) the relevant Index Sponsor is [ ];  
(c) the Commodity Index Reference Price is [ ];  
(d) the Specified Price is [ ];  
(e) the Price Source is [ ]; [and]  
(f) [(*Insert provisions for determining the Relevant Price in the event of a Commodity Index Disruption Event, if different from Condition 13.*)] [and]  
(g) [the Commodity Index Cut-Off Date is [ ]]. (*N.B. Only applicable if different from Condition 13*)).

*(N.B. Only applicable to Index Securities relating to a Commodity Index.)*

22. Related Exchange(s): [For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]/[All Exchanges] *(N.B. Only applicable in relation to Share Securities)*]/[For the purposes of Condition 3 and Condition 13(B), the relevant Related Exchange(s) [is/are] [ ]/[All Exchanges] *(N.B. Only applicable in relation to Share Securities and Index Securities other than Index Securities relating to a Commodity Index)*]
23. Multiplier: The multiplier to be applied to each item comprising the Basket to ascertain the Settlement Price is [ ]. Each such Multiplier shall be subject to adjustment [in accordance with Condition 13(B) in the case of Share Securities]/[specify other]. *(N.B. Only applicable in relation to Cash Settled Securities relating to a Basket)*
24. Nominal Amount and Relevant Screen Page: The Nominal Amount for the determination of the Cash Settlement Amount is [ ] and the relevant screen page (“**Relevant Screen Page**”) is [ ]. *(N.B. Only applicable in relation to Cash Settled Securities relating to Debt Instruments).*
- [The bid price in respect of [the/each] Debt Instrument shall [include/exclude] any accrued but unpaid interest. *(N.B. only applicable in relation to Cash Settled Securities relating to Debt Instruments).*]
25. Relevant Asset(s): The relevant asset to which the Securities relate [is/are] [ ].
- (N.B. Only applicable in relation to Physical Delivery Securities)*
26. Entitlement:
- (i) The Entitlement (as defined in Condition

- 3) in relation to each Security is [            ].
- (ii) The Entitlement will be evidenced by  
[*insert details of how the Entitlement will be evidenced*].
- (iii) The Entitlement will be delivered [*insert details of the method of delivery of the Entitlement*].
- (*N.B. Only applicable in relation to Physical Delivery Securities*)
27. Cash Settlement Amount: [*Insert details of how Cash Settlement Amount is to be calculated*]
- (*N.B. Only applicable in relation to Cash Settled Securities.*)
28. Settlement Price: The Settlement Price will be calculated [*insert calculation method*]. (*N.B. Only applicable in relation to Commodity Securities and Fund Securities*)
29. Adjustments to Valuation Date and/or Averaging Date: If the Valuation Date or an Averaging Date (each as defined in Condition 3), as the case may be, is a Disrupted Day, the Settlement Price will be calculated [*insert calculation method*].
- (*N.B. Only applicable to Share Securities and Index Securities other than Index Securities relating to a Commodity Index and where provisions in the Conditions not appropriate*)
- [*For Index Securities relating to a Commodity Index, Debt Securities, Currency Securities [or Fund Securities], specify applicable adjustment / postponement provisions for the Valuation Date and/or Averaging Dates.*]
30. Redemption of Debt Instruments: Where one or more of the relevant Debt Instruments is redeemed (or otherwise ceases to exist) before the expiration of the relevant Securities, [*insert appropriate fallback provisions*]. (*N.B. Only*

*applicable in relation to Debt Securities)*

31. 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.
32. Currency Securities:
- (i) The Relevant Screen Page is [ ].
- (ii) The relevant base currency (the “**Base Currency**”) is [ ].
- (iii) The relevant subject [currency/currencies] (each a “**Subject Currency**”) [is/are] [ ].
- (N.B. Only applicable in relation to Currency Securities)*
33. Fund Securities: *[Specify applicable market disruption, general disruption, adjustment and/or termination provisions]*
34. Tender Offer: [Applicable/Not Applicable]
- (N.B. Only applicable in relation to Share Securities)*
35. Additional Disruption Events: [(a)] The following Additional Disruption Events apply to the Securities:
- (Specify each of the following which applies. NB Additional Disruption Events are applicable to certain Index Securities or Share Securities. Careful consideration should be given to whether Additional Disruption Events would apply for Debt Securities, Currency Securities, Commodity Securities or Fund Securities and if so the relevant definitions will require amendment)*
- [Change in Law
- Hedging Disruption
- Increased Cost of Hedging
- Increased Cost of Stock Borrow

## Insolvency Filing

### Loss of Stock Borrow]

[(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).]*

36. Failure to Deliver due to Illiquidity:

Failure to Deliver due to Illiquidity applies 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)*

37. Governing Law:

[English law]

[Italian law]

*[If the governing law is Italian law, specify in the Annex the provisions of the terms and Conditions that are not*



*applicable to the Securities]*

## PROVISIONS RELATING TO WARRANTS

*[The following provisions are only applicable to Warrants:]*

- |     |  |  |
|-----|--|--|
| 38. | Type of Warrants:                      | (i) The Warrants are [European/American / <i>(specify other)</i> ] Style Warrants.<br><br>(ii) The Warrants are Call Warrants or Put Warrants as set out in paragraph 2 under "Specific Provisions for each Series" above.   |
| 39. | Exercise Price:                        | The exercise price per [Warrant/Unit] (which may be subject to adjustment in accordance with Condition 13(B) in the case of Share Warrants) is set out in paragraph 2 under "Specific Provisions for each Series" above. <i>(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).</i> |
| 40. | Exercise Period:                       | In the case of American Style Warrants the exercise period in respect of the Warrants is set out in paragraph 2 under "Specific Provisions for each Series" above.   |
| 41. | (i) Automatic Exercise:                | Automatic Exercise [applies/does not apply] to the Warrants.   |
|     | (ii) Renouncement Notice Cut-off Time: | [ ] <i>(Only applicable for Italian Listed Securities).</i>  |
| 42. | Minimum Exercise Number:               | 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].   |
| 43. | Maximum Exercise Number:               | 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 [ ]. <i>(N.B. not applicable for European Style Warrants).</i>  |

44. [Units: Warrants must be exercised in Units. Each Unit consists of the number of Securities set out in paragraph 2 under "Specific Provisions for each Series" above. (*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:*]

45. Notional Amount per Certificates: [       ]
46. Remuneration Payment Dates: [[       ] and the Settlement Date]
47. Remuneration Rate: [       ]
48. 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)]

## GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

49. Form of Securities: **Bearer Securities:**  
[Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Security on [       ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security.]  
[Temporary Global Security exchangeable for Definitive Security on [       ] days' notice.]  
[Permanent Global Security exchangeable for Definitive Securities on [       ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security].

[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 Issuer]*, as Centralised Custodian.]

[N.B. If the Governing Law is Italian law. See paragraph 16]

## DISTRIBUTION

51. (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: [ ]]
- (ii[i]) Stabilising Manager(s) (if any): [Not Applicable/give name]
52. If non-syndicated, name [and address] of Dealer: [Not Applicable/give name and address]
53. [Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount]
55. 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*

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\* Not relevant for an issue of Securities with an issue price of equal to or greater than Euro 50,000 (or its equivalent in another currency).

*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.

56. Additional selling restrictions: [Not Applicable/give details]

## **[PURPOSE OF FINAL TERMS**

These Final Terms comprises the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] and [admission to trading on [*specify relevant regulated market*] of the Securities described herein] pursuant to the Euro 40,000,000,000 Issuance Programme.]

## <sup>3</sup> **[INFORMATION RELATING TO THE ISSUER**

The following information relating to the Issuer is provided pursuant to Article 2414 of the Italian Civil Code.

Mediobanca – Banca di Credito Finanziario S.p.A. is an Italian company with its registered office at Piazzetta E. Cuccia 1, Milan, Italy, registered at the Companies’ Registry of the Chamber of Commerce in Milan under registration number 00714490158.

The Issuer shall engage in the activities described below:

- (a) the raising of funds and provision of credit in any forms permitted, especially medium- and long-term credit to corporates; and
- (b) within the limits laid down by current regulations, the execution of all banking, financial and intermediation-related transactions and/or services and the carrying out of any transactions deemed to be instrumental to or otherwise connected with achievement of the Issuer’s purpose.

As part of its supervisory and coordinating activities in its capacity as parent company of the Mediobanca Banking Group (the “**Group**”) within the meaning of Article 61/4 of Legislative Decree No. 385 dated 1 September 1993, the Issuer shall also issue directives to member companies of the Group to comply with instructions given by the Bank of Italy in the interests of maintaining the Group’s stability.

At the time of the issuance the share capital is equal to [430,551,480.00], consisting of [861,102,960] ordinary shares with a nominal value of Euro 0.50 each and the reserves and retained earnings are equal to [4,381,644,119.23] ] [***DETAILS IN SQUARE BRACKETS TO BE CHECKED AT THE RELEVANT ISSUE DATE***].

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<sup>3</sup> Delete where Issuer is Mediobanca International.

## RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for 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 Issuer:

By:.....

Duly authorised

By: .....

Duly authorised

[Signed on behalf of the Guarantor:

By:.....

Duly authorised

By: .....

Duly authorised]

## PART B – OTHER INFORMATION

1. (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the 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 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: [ ] [*Delete 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 rated [*rating(s)*] by [*credit rating agency/agencies*]. [This credit rating has / These credit ratings have] been issued by [*full name of legal entity which has given the rating*] which [is/is not] established in the European Union and [is/is not] registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.].
- [The above disclosure should reflect the rating allocated to Securities of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.]*

### [3.] [NOTIFICATION]

*[The CSSF [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]

Save for the fees payable to the managers, so far as the Issuer is aware, no person

involved in the 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: [ ]]

*(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: [ ]]

*(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: [ ]]

*[Include breakdown of expenses.]\*\*\**

[6. **[[fixed rate Certificates only] YIELD**

Indication of yield: [ ]]

Calculated as *[include details of method of calculation in summary form]* on the Issue Date

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[[floating rate Certificates only] HISTORIC INTEREST RATES**

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

[8. **[[Index Securities only] PERFORMANCE OF [INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]**

*Need to include details of where past and future performance and volatility of the [index/basket of indices] can be obtained, the relevant weighting of each index within a*

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\*\*\* If the Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.

*basket of indices and where pricing information is available]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

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

- [9. **[[Share Securities only] PERFORMANCE OF [THE SHARE/BASKET OF SHARES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE SHARE/BASKET OF SHARES]]**

*Need to include details of the name of [the/each] share company, any security identification number of the shares, where pricing information about the shares is available, the relevant weighting of each share within a basket of shares (if relevant) and where past and future performance and volatility of the [share/basket of shares] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

- [10. **[[Debt Securities only] INFORMATION IN RELATION TO THE DEBT INSTRUMENT/INSTRUMENTS, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE DEBT INSTRUMENT/ INSTRUMENTS]**

*Need to include details of the name of the issuer, the ISIN (International Securities Identification Number) of the debt instrument(s), the relevant weighting of each debt instrument in a basket of debt instruments (if relevant) and where pricing information on and where past and future performance and volatility of the debt instrument(s) can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

- [11. **[[Currency Securities only] PERFORMANCE OF [RATE[S] OF EXCHANGE/CURRENCIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/ CURRENCIES]]**

*Need to include details of [the/each] currency, where past and future performance and volatility of the [rate(s)/currencies] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

- [12. **[[Commodity Securities only] PERFORMANCE OF [THE COMMODITY/BASKET OF COMMODITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY/BASKET OF**



## COMMODITIES]]

*Need to include details of [the/each] commodity, where pricing information about [the/each] commodity is available, the relevant weighting of each commodity within a basket of commodities and where past and future performance and volatility of [the commodity/basket of commodities] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

- [13. **[[Fund Securities only] PERFORMANCE OF [THE FUND/BASKET OF FUNDS], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE FUND /BASKET OF FUNDS]]**

*[Need to include details of [the/each] fund, the relevant weighting of each fund within a basket offunds and where past and future performance and volatility of [the/each] [fund/basket of funds] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

- [14.] **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):

11. **TERMS AND CONDITIONS OF THE OFFER\***

Offer Period: [ ] to [ ]

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\* Not relevant for an issue of Securities with an issue price of equal to or greater than Euro 50,000 (or its equivalent in another currency).

Offer Amount:	[     ] [provided that, during the Offer Period, the Issuer will be entitled [(following consultation with the relevant Dealer(s))] to increase such Offer amount up to [     ].The Issuer and the relevant Dealer(s) shall forthwith give notice of any such increase pursuant to Condition 13 ( <i>Notices</i> ) 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> ]
Categories of potential investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries:	[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	[Not Applicable/ <i>give details</i> ]

made:

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

Name(s) and address(es), to the [None/*give details*]  
extent known to the Issuer, of the  
placers in the various countries  
where the offer takes place.

### **PART C – OTHER APPLICABLE TERMS**

[Insert other Relevant information and provisions, or delete if not required]

## TAXATION

*The following is a general summary of certain Italian and Luxembourg tax consequences of the purchase, the ownership and the disposal of the Notes and the Securities. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes or the Securities and does not purport to deal with the tax consequences applicable to all categories of investors and of Notes and Securities, some of which (such as dealers in securities or commodities, certain non-Italian resident Noteholders purchasing Notes convertible or exchangeable into shares and holders of certain Credit Linked Notes) may be subject to special rules.*

*Prospective purchasers of the Notes or the Securities are advised to consult in any case their own tax advisers concerning the overall tax consequences of their purchase, ownership and disposal of the Notes or 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 Notes or the Securities is at arm's length.*

*Where in this summary English terms and expressions are used to refer to Italian and Luxembourg concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian and Luxembourg concepts under Italian and Luxembourg 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 Notes issued by Mediobanca**

#### **Tax on interest, premiums and other proceeds**

##### **1. Notes qualifying as bonds or similar securities with a maturity of not less than 18 months.**

Italian Legislative Decree No. 239 of 1 April 1996 (“**Decree 239/1996**”), as amended and supplemented, regulates the tax treatment of interests, premiums and other incomes (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as “**Interest**”) paid on Notes issued by Mediobanca with a maturity of not less than 18 months, which qualify as bonds (“*obbligazioni*”) or securities similar to bonds (“*titoli similari alle obbligazioni*”) pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Decree 917/1986**”).

For this purpose, securities similar to bonds are securities that (a) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (b) 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.

### ***Italian resident investors***

Pursuant to Decree 239/1996, payments of Interest on Notes issued by Mediobanca will be subject to substitute tax (“**Substitute Tax**”) at the final rate of 12.50 per cent. in the Republic of Italy if made to beneficial owners who are:

- (1) individuals resident in the Republic of Italy for tax purposes, holding Notes not in connection with entrepreneurial activities;
- (2) Italian resident partnerships (other than “*società in nome collettivo*”, “*società in accomandita semplice*” or similar partnerships), *de facto* partnerships not carrying out commercial activities;
- (3) professional associations;
- (4) Italian resident public and private entities, other than companies, not carrying out commercial activities; and
- (5) Italian resident entities exempt from corporate income tax,

(unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according - the “**Asset Management Option**”) - to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 - “**Decree 461/1997**”.

In the event that the Noteholders described above under (1) and (4) are engaged in an entrepreneurial activity to which the Notes are connected, the Substitute Tax applies as a provisional tax. As a consequence, Interest on the Notes is subject to ordinary income tax and the Substitute Tax may be recovered as a deduction from the income tax due.

The 12.50 per cent. Substitute Tax will generally be applied by the qualified financial intermediaries resident in Italy that will intervene, in any way, in the collection of Interest on the Notes or in the transfer of the Notes (the “**Intermediaries**” and each an “**Intermediary**”).

Interest payments will not be subject to the 12.50 per cent. Substitute Tax if made to beneficial owners who are:

- (1) Italian resident corporations or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected;
- (2) Italian resident collective investment funds, Italian “*società di investimento a capitale variabile*” (“**SICAVs**”), Italian resident pension funds subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of 5 December 2005 (“**Decree 252/2005**”), and Italian resident real estate investment funds established pursuant to Article 37 of Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Italian Law No. 86 of 25 January 1994;

- (3) Italian residents holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option.

To ensure payment of Interest in respect of the Notes without the application of Substitute Tax, the investors indicated here above under (1) to (3) must be the beneficial owners of payments of Interest on the Notes and timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial Intermediary.

Special rules apply if the Notes are part of an investment portfolio managed on a discretionary basis by an authorised intermediary and the beneficial owners of the Notes opt for the Asset Management Option and if the Notes are in the portfolio of Italian collective investment funds, SICAVs, pension funds and real estate investment funds.

Italian residents holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option in connection with their investment in the Notes are subject to a 12.50 per cent. annual substitute tax, pursuant to Article 7 of Decree 461/1997 (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes during the holding period). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds and SICAVs are generally subject to a 12.50 per cent. annual substitute tax (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year which increase would include Interest accrued on the Notes during the holding period.

Italian resident pension funds subject to the regime provided by Article 17 of Decree 252/2005 are subject to a 11 per cent. annual substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes during the holding period).

Payments of Interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Italian Legislative Decree No. 58 of 24th February, 1998, as amended and supplemented, and Article 14-bis of Italian Law No. 86 of 25th January, 1994, are subject neither to Substitute Tax nor to any other income tax in the hands of a real estate investment fund.

Law Decree No. 78 of 31 May 2010 (“**Decree No. 78**”), has introduced a 5 to 7 per cent. substitute tax to be calculated on the fund’s net assets value. Such tax will be due only by real estate investment funds existing at 31 May 2010 and which do not comply with the criteria indicated under Article 1 of the Financial Service Act as amended by Decree No. 78 and by the regulatory framework to be issued by the Italian Minister of Economy. Interest accrued on the Notes would be included in the taxable income for corporate income tax (“**IRES**”) purposes, currently applying at a rate of 27.5 per cent. and in certain circumstances also in the net value of production for the purposes of regional tax on productive activities (“**IRAP**”), generally applying at a rate of 3.9 per cent. (which may be increased by each Italian Region by up to 0.92 per cent.), of beneficial owners who are Italian resident corporations and permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the Substitute Tax is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of Interest to any Noteholder or by the Issuer and Noteholders who are Italian resident companies or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct Substitute Tax suffered from income taxes due.

### ***Non-Italian resident investors***

Pursuant to Decree 239/1996, payments of Interest on Notes issued by Mediobanca will be subject to final Substitute Tax at the rate of 12.50 per cent. in the Republic of Italy if made to beneficial owners who are non-Italian resident entities or individuals without a permanent establishment in Italy to which the Notes are effectively connected, which are not eligible for the exemption from Substitute Tax and/or do not timely and properly comply with the requirements set forth in Decree 239/1996 and the relevant application rules in order to benefit from the exemption from Substitute Tax. As to non-Italian resident beneficial owners, Substitute Tax may apply at lower or nil rate under double taxation treaties entered into by Italy, where applicable, and in any case subject to proper compliance with subjective and procedural requirements provided for.

The 12.50 per cent. (or the lower rate provided for by the relevant applicable double taxation treaty) final Substitute Tax will be generally applied by any Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of Interest on the Notes or in the transfer of the Notes.

Interest will not be subject to the 12.50 per cent. Substitute Tax if made to beneficial owners who are non-Italian resident beneficial owners of Notes not having a permanent establishment in Italy to which the Notes are effectively connected, *provided that*:

- such non-Italian resident beneficial owners are resident for tax purposes in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, as indicated below; and
- all the requirements and procedures set forth in Decree 239/1996 and the relevant implementing rules in order to benefit from the exemption from Substitute Tax have been promptly and properly complied with.

Decree 239/1996, as amended and restated, also provides for additional exemptions from Substitute Tax for payments of Interest in respect of the Notes made to:

- international bodies and organisations established in accordance with international agreements ratified in Italy;
- foreign institutional investors resident or established in countries which allow for an adequate exchange of information with Italy as indicated below, even if they do not possess the “status” of taxpayer in their own country of establishment; and
- Central Banks or entities managing official State reserves.

To ensure payment of Interest in respect of the Notes without the application of Substitute Tax, non Italian resident “qualified” investors must:



- be the beneficial owners of payments of Interest on the Notes or foreign institutional investors not subject to tax;
- timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial Intermediary or with a non-Italian resident entity participating in a centralised securities management system which is in contact, via computer, with the Italian Ministry of Economics, and
- promptly file with the relevant depository a self-declaration stating, *inter alia*, to be resident, for tax purposes, or established, as the case may be, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information. Such self-declaration - which is requested neither for international bodies nor for entities set up in accordance with international agreements ratified by Italy nor for foreign Central Banks or entities managing official State reserves - must comply with the requirements set forth by Italian Ministerial Decree of 12 December 2001 and is valid until withdrawn or revoked. Additional statements may be required for non-Italian resident Noteholders 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.

### ***Early redemption***

Without prejudice to the above provisions, in the event that Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) for Italian tax purposes issued by Mediobanca with an original maturity of not less than 18 months, are redeemed prior to 18 months from the issue date, the relevant Issuer will be required to pay an additional amount equal to 20 per cent. of the Interest accrued up to the time of early redemption. According to one interpretation of Italian tax law, the above 20 per cent. additional amount may also be due in the event that the Issuer were to purchase the Notes and subsequent cancel them prior to the aforementioned 18-months period.

## **2. Notes qualifying as bonds or similar securities with maturity of less than 18 months.**

Interest payments relating to Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Decree 917/1986 issued by Mediobanca with an original maturity of less than 18 months are subject to a withholding tax, levied by the Issuer at the rate of 27 per cent. pursuant to Article 26, first paragraph, of Italian Presidential Decree No. 600 of 29 September 1973, as subsequently amended (“**Decree 600/1973**”).

Where the Noteholder is (i) an Italian resident individual engaged in an entrepreneurial activity to which the Notes 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 Notes are effectively connected, (iv) an Italian resident commercial partnership, or (v) an Italian resident commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. In the case of non-Italian resident Noteholders, the 27 per cent. withholding tax rate

may be reduced (in certain cases, to nil) by the applicable double tax treaty, if any, and in any case subject to proper compliance with relevant subjective and procedural requirements.

### **3. Notes qualifying as atypical securities**

Interest payments relating to Notes 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 27 per cent. For this purpose, as indicated above, pursuant to Article 44 of Decree 917/1986, 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 Noteholder is (i) an Italian resident individual engaged in an entrepreneurial activity to which the Notes 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 Notes are effectively connected, (iv) an Italian resident commercial partnership or (v) an Italian resident commercial private or public institution, the above-mentioned 27 per cent. withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder 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 Noteholders, subject to proper compliance with relevant subjective and procedural requirements.

### **4. Capital gains tax**

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable business income (and, in certain circumstances, depending on the “*status*” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian resident company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes (including Notes convertible or exchangeable into shares, but only where the sale or redemption of such Notes by a Noteholder does not qualify as disposal of a qualified participation in the relevant underlying entity<sup>4</sup>) would be subject to a substitute tax

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<sup>4</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.

(“*imposta sostitutiva*”), levied at the current rate of 12.5 per cent.. Noteholders may generally set-off capital losses with gains of the same nature.

For the purposes of determining the taxable capital gain, any Interest on the Notes accrued and unpaid up to the time of the purchase and the sale of the Notes must be deducted from the purchase price and the sale price, respectively.

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 Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same nature, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss 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.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes under the “*risparmio amministrato*” regime provided for by Article 6 of Decree 461/1997 (the “*Risparmio Amministrato*”). Such separate taxation of capital gains is allowed subject to (i) the Notes 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 Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes, 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 Noteholder or using funds provided by the Noteholder for this purpose. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains 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. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

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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.

Any capital gains on Notes held by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. Asset Management Tax, to be paid by the managing authorised intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains on Notes held by a Noteholder who is an Italian collective investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be generally subject to the 12.5 per cent. Collective Investment Fund Tax (pursuant to Article 8 of Italian Legislative Decree 23 December 1999, No. 505, in certain cases, with respect to investment funds and SICAVs with less than 100 participants – save for the case that more than 50 per cent. of the funds' units or SICAVs' shares are held by qualified investors, other than individuals – the Collective Investment Fund Tax should be increased to 27 per cent. for the part of accrued result of the relevant portfolio related to certain qualified participations, including certain rights under Notes convertible, or exchangeable into shares).

Any capital gains on Notes held by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Decree 252/2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. Pension Fund Tax.

Any capital gains realized by Italian resident real estate funds established pursuant to Article 37 of Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Italian Law No. 86 of 25 January 1994, on the Notes are not taxable at the level of the same real estate funds. Please note that Law Decree No. 112 of June 25, 2008, converted into law by Law no. 133 of August 6, 2008, has introduced a 1 per cent. property tax, to be levied – on a yearly basis – on the net asset value of certain real estate investment funds qualifying as “family funds”.

Capital gains realised by non-Italian-resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes traded on regulated markets in Italy or abroad (other than Notes convertible or exchangeable into shares) are not subject to the *imposta sostitutiva*, regardless of whether the Notes are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized 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 461/1997, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes (other than Notes convertible or exchangeable into shares) not traded on regulated markets issued by an Italian or non-Italian resident issuer may in certain circumstances be taxable in Italy, if the Notes are held in Italy.

Different rules may apply with respect to taxation of capital gains realized by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected upon sale or redemption of Notes convertible or exchangeable into shares.

However, non-Italian resident beneficial owners of Notes without a permanent establishment in Italy to which the Notes are effectively connected are not subject to the *imposta sostitutiva* on capital gains realised upon sale or redemption of the Notes (including Notes convertible or exchangeable into shares, but only where the sale or redemption of such Notes by a Noteholder does not qualify as disposal of a Qualified Participation in the relevant underlying entity), 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 Noteholders who hold the Notes with an Italian authorized 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 461/1997, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above. Additional statements may be required for non-Italian resident Noteholders 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 Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes (including Notes convertible or exchangeable into shares) are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized 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 461/1997, may be required to produce in due time to the Italian authorized 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 461/1997 shall automatically apply, unless it expressly waives this regime, where the Notes are deposited in custody or administration with an Italian resident authorized financial intermediary or permanent establishment in Italy of a foreign intermediary.

In the case of Notes that qualify as atypical securities, based on a very restrictive interpretation, capital gains realized thereon could be treated as proceeds derived under the Notes, to be subject to the 27 per

cent. withholding tax mentioned under paragraphs (A) 3. and (B) 2.2. “*Notes qualifying as atypical securities*”, above.

Moreover, different rules may apply with respect to taxation of capital gains realized upon sale or redemption of Notes convertible or exchangeable into shares, where the sale or redemption of such Notes by a Noteholder does qualify as disposal of a Qualified Participation in the relevant underlying entity.

#### **(B) Italian Taxation of the Securities issued by Mediobanca**

Any gain obtained from the sale or the exercise of the Securities would be subject to the same tax regime as described under (A).4. “*Capital gains tax*”, above.

According to a certain interpretation of Italian fiscal law there is a possibility that the Certificates would be qualified for tax purposes as atypical securities and will be subject to the provisions of Article 5 of Law Decree No. 512 of 30 September 1983. As a consequence, payments relating to Certificates shall be subject to withholding tax mentioned under paragraphs (A) 3. “*Notes qualifying as atypical securities*”, above.

Moreover, different rules may apply with respect to taxation of capital gains realized 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.

#### **(C) Tax regime of the Notes issued by Mediobanca International**

##### **1. Tax treatment of the Notes issued by Mediobanca International in Luxembourg**

###### ***Luxembourg tax residency of the holders of the Notes***

A holder of the Notes will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes (holding of the Notes includes receipt of interest and repayment of the principal).

###### ***Withholding tax***

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes 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, 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 (20% from 1 July 2008 to 30 June 2011 and 35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of a Luxembourg Issuer or the Italian Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section

"EU Savings Directive" below) or agreements unless such investor 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 savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive (Council Directive 2003/48/EC)).

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 Luxembourg Issuer).

### ***Income taxation of the holders of the Notes***

#### *Taxation of Luxembourg non-residents*

Holders of the Notes who are non-residents of Luxembourg and who have neither a permanent establishment in Luxembourg to which the Notes are attributed nor 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 Notes, or realize capital gains on the sale of any Notes.

#### *Taxation of Luxembourg residents - General*

Holders of the Notes who are residents of Luxembourg, or non-resident holders of the Notes who have a permanent establishment or a fixed base of business in Luxembourg with which the holding of the Notes 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.

#### *Luxembourg resident individuals*

Luxembourg resident individuals who are holders of the Notes 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 Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of these Notes. Upon redemption of the Notes, individual Luxembourg resident holders of the Notes 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 Notes or foreign enterprises which have a permanent establishment in Luxembourg to which the Notes are attributed, must include in their taxable income the difference between the disposal price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes disposed of.

#### *Luxembourg resident entities benefiting from a special tax regime*

Holders of the Notes who are either holding companies governed by the law of 31 July 1929, undertakings for collective investment governed by the law of 20 December 2002, securitization companies governed by the law of 22 March 2004, companies subject to the law of 15 June 2004 on venture capital vehicles, specialized investment funds governed by the law of 13 February 2007 or family wealth management companies governed by the law of 11 May 2007 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 notes.

### ***Net Wealth Tax***

Luxembourg net wealth tax will not be levied on a holder of the Notes, unless (i) such holder is a Luxembourg resident company or (ii) the Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment.

### ***Other Taxes***

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of the Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or exchange of the Notes, except in case of use of the Notes, 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.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

No Luxembourg inheritance tax is levied on the transfer of Notes upon the death of a Noteholder 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.

## **2. Tax treatment of the Notes issued by Mediobanca International in Italy for Italian resident investors.**

### **Tax on interest, premium and other proceeds**

#### **(i) Notes qualifying as bonds or similar securities**

Decree 239/1996 also provides for the applicable Italian tax regime of interest and similar proceeds derived by Italian resident noteholders from notes falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Decree 917/1986, issued by non-Italian resident issuers.

### ***Italian resident Noteholders***

Pursuant to Decree 239/1996, a final Substitute Tax at a rate of (a) 12.5 per cent. in relation to Notes issued for an original maturity of not less than 18 months, and (b) 27 per cent. in relation to Notes issued for an original maturity of less than 18 months, is applied on Interest on Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) within the



meaning of Article 44 of Decree 917/1986 issued by a non-Italian resident issuer accrued during the relevant holding period, if received by:

- (1) an Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected;
- (2) Italian resident non commercial partnerships;
- (3) Italian resident non-commercial private or public institutions; or
- (4) Italian resident investors exempt from Italian corporate income taxation;

(unless, with respect to the Notes issued for an original maturity of not less than 18 months only, the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an Italian authorized intermediary and has opted for the Asset Management Option).

If the Noteholders described under (1) and (3) above are engaged in an entrepreneurial activity to which the Notes are connected, the Substitute Tax applies as a provisional tax. As a consequence, the Interest is subject to the ordinary income tax and the Substitute Tax may be recovered as a deduction from the income tax due.

Substitute Tax is generally applied by an Intermediary.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the Substitute Tax is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of Interest to any Noteholder. Where Interest on Notes beneficially owned by the subjects from (1) to (4) above are not collected through the intervention of an Italian resident intermediary and as such no Substitute Tax is applied, the above Italian resident beneficial owners will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at a rate of 12.5 or 27 per cent, depending on the original maturity of the Notes (only limited to those Noteholders not engaged in a business activity to which the Notes are effectively connected), unless option for a different regime is allowed and made. Italian resident Noteholders that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of Interest on such Notes: if so, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

Where an Italian resident Noteholder who is beneficial owner of the Notes is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes and relevant coupons are timely deposited with an Intermediary, Interest from the Notes will not be subject to Substitute Tax, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "*status*" of the Noteholder, also to IRAP). In such cases, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

If the Notes are issued for an original maturity of less than 18 months, the 27 per cent. Substitute Tax is also applied to any payment of Interest relating to the Notes made to (i) Italian collective investment

funds, (ii) Italian pension funds (subject to the regime provided for by Article 17 of Decree 252/2005), and (iii) Italian SICAVs.

Where an Italian resident Noteholder has opted for the Asset Management Option with respect to its investment in Notes issued by a non-Italian resident issuer for an original maturity of not less than 18 months, such Noteholder will be subject to a 12.5 per cent annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (the Asset Management Tax). In such case, Interest accrued during the holding period on Notes issued for an original maturity of not less than 18 months will be included in the calculation of said annual increase in value of managed assets and will not be subject to the Substitute Tax.

For those categories of Noteholders not specifically mentioned in this paragraph and for Noteholders who are Italian pension funds (subject to the regime provided for by Article 17 of Decree 252/2005), Italian collective investment funds and Italian SICAVs holding Notes issued for an original maturity not less than 18 months, please refer to paragraph “Italian Taxation of the Notes issued by Mediobanca - Tax on interest, premium and other proceeds - 1. Notes qualifying as bonds or similar securities with maturity not less than 18 months - *Italian resident investors*” above.

#### ***Non-Italian resident Noteholders***

No Italian Substitute Tax is applied on payments to a non-Italian resident Noteholder not having a permanent establishment in Italy to which the Notes are effectively connected of Interest relating to Notes issued by a non-Italian resident issuer.

If Notes issued by a non-Italian resident issuer and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a self-declaration stating that he or she is not resident in Italy for tax purposes.

#### ***Early Redemption***

Without prejudice to the above provisions, in the event that Notes issued by a non-Italian resident issuer and having an original maturity of not less than 18 months are redeemed, in full or in part, prior to 18 months from the relevant issue date, certain Italian resident Noteholders will be required to pay, by way of a withholding to be applied by any Italian withholding agent that intervenes in the collection of Interest or the redemption of the Notes, an additional amount equal to 20 per cent. of the Interest accrued on the Notes up to the time of the early redemption. According to one interpretation of Italian tax law, the above 20 per cent. additional amount may also be due in the event that the issuer were to purchase the Notes and subsequently cancel them prior to the aforementioned eighteen-months period.

#### ***Capital gains tax***

Any gain obtained from the sale or redemption of the Notes would be subject to the same tax regime as described under (A).4. “Capital gains tax”, above.

## **(ii) Notes qualifying as atypical securities**

Interest payments to Italian resident Noteholders relating to Notes issued by a non-Italian resident issuer 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 Italian withholding tax, levied at the rate of 27 per cent. For this purpose, as indicated above, pursuant to Article 44 of Decree 917/1986, 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.

If the Notes are issued by a non-Italian resident issuer, a 27 per cent. “entrance” withholding tax may apply in Italy if the Notes are placed (“*collocate*”) in Italy and Interest payments on the Notes are collected through an Italian bank or other qualified financial intermediary. However, the 27 per cent. “entrance” withholding tax does not apply to Interest payments made:

- a) to a non-Italian resident Noteholder. If Notes issued by a non-Italian resident issuer and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a self-declaration stating that he or she is not resident in Italy for tax purposes; and
- b) to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are effectively connected), (ii) a commercial partnership, or (iii) a commercial private or public institution. In particular, in such cases, Interest must be included in the relevant Noteholder’s annual income tax return, to be therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “*status*” of the Noteholder, also to IRAP) according to the ordinary rules and the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

With respect to the other categories of Italian resident Noteholders, if Interest payments on Notes issued by a non-Italian resident issuer are not collected through an Italian resident bank or other qualified financial intermediary, and as such no “entrance” withholding tax is required to be levied, such Noteholders will be required to report the payments in their yearly income tax return and subject them to a final substitute tax at rate of 27 per cent. (only limited to those Noteholders not engaged in a business activity to which the Notes are effectively connected). Italian resident individual beneficial owners holding Notes not in connection with a business activity may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of Interest payments: if so, the beneficial owners should generally benefit from tax credit for withholding taxes applied outside Italy, if any.

In case Notes issued by a non-Italian resident issuer are held by an Italian resident individual engaged in a business activity and are effectively connected with same business activity, the Interest will be subject to the 27 per cent. “entrance” withholding tax on a provisional basis and will be included in the relevant income tax return. As a consequence, the Interest will be subject to the ordinary income tax and the withholding tax may be recovered as a deduction from the income tax due.

### **3. 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 Notes made to Italian resident Noteholders 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 12.5 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 Noteholder, pursuant to Decree 600/1973. In the case of payments to non-Italian resident Noteholders, the withholding tax should be final and may be applied at (i) 12.5 per cent., if the payment is made to non-Italian resident Noteholders, other than those mentioned under (ii); or (ii) 27 per cent., if payments are made to non-Italian resident Noteholders who are resident in “*tax haven*” countries (as currently defined and listed in Ministerial Decree of 23 January 2002, as amended from time to time). 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 paragraphs of this section.

### **(D) Tax regime of Securities issued by Mediobanca International**

#### **1. Tax treatment of the Securities in Luxembourg**

##### ***Luxembourg tax residency of the holders of the Securities***

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 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, 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 (20% from 1 July 2008 to 30 June 2011 and 35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of a Luxembourg Issuer or the Italian Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see section "EU Savings Directive" below) or agreements unless such investor 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 savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive (Council Directive 2003/48/EC)).

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 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 have neither a permanent establishment in Luxembourg to which the Securities are attributed 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.

#### *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 lower of the cost or book value of the Securities disposed of.

### *Luxembourg resident entities benefiting from a special tax regime*

Holders of the Securities who are either holding companies governed by the law of 31 July 1929, undertakings for collective investment governed by the law of 20 December 2002, securitization companies governed by the law of 22 March 2004, companies subject to the law of 15 June 2004 on venture capital vehicles, specialized investment funds governed by the law of 13 February 2007 or family wealth management companies governed by the law of 11 May 2007 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.

### ***Net Wealth Tax***

Luxembourg net wealth tax will not be levied on a holder of the Securities, unless (i) such holder is a Luxembourg resident company or (ii) the Securities are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment.

### ***Other Taxes***

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of the Securities as a consequence of the issuance of the Securities, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or exchange of the Securities, except 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.

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 the Securities.

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 Securities Final Terms. The holding of shares issued by the 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 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. In addition, a total lump-sum of €1,500 (which is doubled for married taxpayers who are jointly taxable) is deductible from total dividend received during the tax year.

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 minor 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 alienator (or the alienators 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 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 if the above mentioned conditions are met except that the acquisition price must be of at least 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 lower of their cost or book value.

(c) *Luxembourg Resident Companies benefiting from a Special Tax Regime*

Holders of shares who are either holding companies governed by the law of 31 July 1929, undertakings for collective investment governed by the law of 20 December 2002, securitization companies governed by the law of 22 March 2004, companies subject to the law of 15 June 2004 on venture capital vehicles, specialized investment funds governed by the law of 13 February 2007 or family wealth management companies governed by the law of 11 May 2007 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.

(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 the 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 (B) “Italian Taxation of the Securities issued by Mediobanca”, above.

### ***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, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Notes or Securities held abroad and/or Notes 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 (i) in cases where each of the overall value of the foreign investments or financial assets at the end of the fiscal year, and the overall value of the related transfers to, from and occurred abroad carried out during the relevant fiscal year, does not exceed € 10,000, as well as (ii) 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 bonds or other 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 bonds 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 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 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 recognized by law, inheritance and gift taxes apply on its portion of the net asset value exceeding € 1,500,000.

**(E) General Provisions applicable in Luxembourg to both Mediobanca and Mediobanca International Issues**

There is no Luxembourg registration tax, stamp duty or any similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer of redemption or repurchase of the Notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of Notes, *provided, however*, that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the 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.

Luxembourg net wealth tax will not be levied on a noteholder, unless such noteholder is resident in Luxembourg for the purpose of the relevant legal provisions; or the Notes are attributable to an enterprise or part thereof which is carried on through a permanent representative in Luxembourg.

No estate or inheritance taxes are levied on the transfer of the Notes, upon death of a noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes, if the gift is recorded in a deed passed in front of a Luxembourg notary or registered in Luxembourg.

**(F) 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.

### *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 Notes 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.

## GENERAL INFORMATION

### (1) Listing and Admission to Trading

Application has been made to the CSSF to approve this Base Prospectus as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes and Securities issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

However, Notes or Securities may be issued pursuant to the Programme which will not be listed or admitted to trading on the Luxembourg 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 CSSF 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*".

- (2) Each Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in Luxembourg and the Republic of Italy in connection with the establishment and update of the Programme and the issue and performance of the Notes and the Securities and the guarantee relating to them. The update of the Programme, including the giving of the Guarantee, was authorised by a circular resolution of the Board of Directors of Mediobanca International passed on 21 December 2010, a resolution adopted by the Executive Committee of Mediobanca passed on 23 November 2010 and the decision (*determina*) assumed by the Managing Director (*Direttore Generale*) of Mediobanca on 23 December 2010.
- (3) The price and amount of Notes or 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.
- (4) Save as disclosed in this Base Prospectus, Mediobanca International (where Mediobanca International is the Issuer) is not and none of Mediobanca and its consolidated subsidiaries (where Mediobanca is the 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 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.
- (5) Save as disclosed in this Base Prospectus, 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 Noteholders and Securityholders.

- (6) Save as otherwise disclosed in this Base Prospectus in the case of Mediobanca (a) since 30 September 2010 (being the day on which the latest available interim financial statements have been prepared) there has been no significant change in the financial condition of Mediobanca or its subsidiaries, and (b) since 30 June 2010 (being the last day of the financial period in respect of which the most recent audited annual financial statements of Mediobanca have been prepared) there has been no material adverse change in the financial condition of Mediobanca or its subsidiaries.
- (7) Save as disclosed in this Base Prospectus, since 30 June 2010 in the case of Mediobanca International (being the last day of the financial period in respect of which the most recent and available audited financial statements of Mediobanca International have been prepared) there has been no significant change, nor material adverse change, in the financial or other position or prospects of Mediobanca International.
- (8) Notes will be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code and the International Securities Identification Number (ISIN) for each Series of Notes or Securities will be set out in the relevant Final Terms.
- (9) For so long as the Programme remains in effect or any Notes or Securities remain outstanding, the following documents will be available, 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 Notes 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 2010, 2009 and 2008;
  - (ix) the consolidated annual financial statements of Mediobanca as at and for the years ended 30 June 2010, 2009 and 2008 and the unaudited consolidated quarterly financial statements of Mediobanca as at and for the three months ended 30 September 2010, 2009 and 2008;

- (x) Final Terms for Notes which are listed on the Luxembourg Stock Exchange or any other stock exchange; and
  - (xi) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus.
- (10) Copies of the latest annual consolidated financial statements of Mediobanca and annual financial statements of Mediobanca International, unaudited consolidated interim financial statements of Mediobanca, unaudited consolidated quarterly financial statements of Mediobanca and the latest semi-annual interim financial statements of Mediobanca International (if published), may be obtained at the specified office of the Paying Agent during normal business hours, so long as any of the Notes or Securities is outstanding.
- (11) The Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Notes or Securities constituting derivative securities, except if required by any applicable laws and regulations.
- (12) The Notes and 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 Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes and the Securities are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.
- (13) 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.

## REGISTERED OFFICE

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

Piazzetta E. Cuccia, 1  
20121 Milan  
Italy

### **Mediobanca International (Luxembourg) S.A.**

14 Boulevard Roosevelt  
L-2450 Luxembourg  
Grand Duchy of Luxembourg

## ARRANGER

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

Piazzetta E. Cuccia, 1  
20121 Milan  
Italy

## DEALERS

### **Banca Aletti & C. S.p.A.**

Via Roncaglia, 12  
20146 Milan  
Italy

### **Banca IMI S.p.A.**

Largo Mattioli, 3  
20121 Milan  
Italy

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Via de los Poblados s/n  
Capital Markets, Second Floor  
28033 Madrid  
Spain

### **Banco Santander, S.A.**

Ciudad Grupo Santander  
Edificio Encinar Planta Baja  
Avda de Cantabria  
28660 Boadilla del Monte  
Madrid  
Spain

### **Barclays Bank PLC**

5 The North Colonnade  
London E14 4BB  
United Kingdom

### **BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**CRÉDIT AGRICOLE CORPORATE AND  
INVESTMENT BANK**

9 quai du Président Doumer  
92920 Paris  
La Defense Cedex  
France

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

Piazzetta E. Cuccia, 1  
20121 Milan  
Italy

**Société Générale**

29 Boulevard Haussmann  
75009 Paris  
France

**UniCredit Bank AG**

Arabellastrasse 12  
81925 Munich  
Germany

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**Mediobanca International  
(Luxembourg) S.A.**

14 Boulevard Roosevelt  
L-2450 Luxembourg  
Grand Duchy of Luxembourg

**The Royal Bank of Scotland plc**

135, Bishopsgate  
London EC2M 3UR  
United Kingdom

**UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**LEGAL ADVISERS TO THE ISSUERS AND THE GUARANTOR**

*As to Italian law*

**Riolo Calderaro Crisostomo e Associati**

Via Boschetti, 1  
20121 Milan  
Italy

*As to Luxembourg law*

**Bonn Schmitt Steichen,**

22-24 Rives de Clausen,  
L-2165 Luxembourg  
Grand Duchy of Luxembourg



**TAX ADVISER TO MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A. AS  
ISSUER AND GUARANTOR**

**Simmons & Simmons**

Corso Vittorio Emanuele, 1

20121 Milan

Italy

**TAX ADVISER TO MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.**

**Bonn Schmitt Steichen,**

22-24 Rives de Clausen,

L-2165 Luxembourg

Grand Duchy of Luxembourg

**LEGAL ADVISERS TO THE DEALERS**

*As to English and Italian law*

**Simmons & Simmons**

Via di San Basilio, 72

00187 Rome

Italy

**AUDITORS TO MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.**

**Ernst & Young S.A.**

7, Parc d'Activité Syrdall

L-5365 Munsbach

Luxembourg

**AUDITORS TO MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A.**

**Reconta Ernst & Young S.p.A.**

Via della Chiusa, 2

20123 Milan

Italy

**FISCAL AGENT, PAYING AGENT AND CALCULATION AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**

33, Rue de Gasperich

Howald - Hesprange

L-2085 Luxembourg

**LISTING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**

33, Rue de Gasperich

Howald - Hesprange

L-2085 Luxembourg