



BANCA IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

STRUCTURED SECURITIES PROGRAMME

Under the terms of its Structured Securities Programme (the **Programme**), Banca IMI S.p.A. (the **Issuer**) may from time to time issue warrants (**Warrants**) or certificates (**Certificates** and, together with the Warrants, **Securities**) of any kind including, but not limited to, Warrants or Certificates relating to a specified index or a basket of indices (**Index Securities**), a specified share or a basket of shares (**Share Securities**), a specified debt instrument or a basket of debt instruments (**Debt Securities**), a specified currency or a basket of currencies (**Currency Securities**), a specified fund or a basket of funds (**Fund Securities**), a specified commodity or a basket of commodities (**Commodity Securities**) or the credit of a specified entity or entities (**Credit Securities**). Each issue of Securities will be made on the terms set out herein which are relevant to such Securities under "*Terms and Conditions of the Securities*" (the **Conditions**) and on such additional terms as will be set out in a final terms document (the **Final Terms**).

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

The Programme provides that Securities may be listed or admitted to trading, as the case may be, on such further or other stock exchanges or markets as the Issuer may determine. In particular, the Issuer may list the Securities on the Italian Stock Exchange and admit the Securities to trading on the electronic "Securitized Derivatives Market" organised and managed by Borsa Italiana S.p.A. (the **SeDeX**). The applicable Final Terms will specify whether or not Securities are to be listed on the Luxembourg Stock Exchange and/or any other stock exchange(s). The Issuer may also issue unlisted Securities and/or Securities not admitted to trading on any market.

Prospective purchasers of Securities should ensure that they understand the nature of the relevant Securities and the extent of their exposure to risks and that they consider the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition. Securities involve a high degree of risk, including the risk of their expiring worthless. Potential investors should be prepared to sustain a loss of all or part of the purchase price of their Securities. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Securities and are not relying on the advice of the Issuer or, if relevant, any Manager in that regard. See "Risk Factors" on pages 13 to 31. In addition, the applicable Final Terms may contain specific risk factors relating to the relevant Securities.

The Securities and, in the case of Physical Delivery Securities, the Entitlement (as defined herein) to be delivered upon the exercise of such 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 trading in the Securities has not been approved by the Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended. The Securities are only being offered and sold pursuant to the registration exemption contained in Regulation S under the Securities Act. No Securities of any series, or interests therein, may at any time be offered, sold, resold, traded,

pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in 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) and any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. The Securities may not be legally or beneficially owned at any time by any U.S. person. For a description of certain further restrictions on offers and sales of the Securities and on the distribution of this Base Prospectus, see "*Offering and Sale*" below.

The date of this Base Prospectus is 1 June 2012.

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive) as amended (which includes the amendments made by Directive 2010/71/EC (the 2010 PD Amending Directive) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area).

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

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

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

A description of the Final Terms is set out herein on page 39 and will specify with respect to the issue of Securities to which it relates, *inter alia*, the specific designation of the Securities, the aggregate number and type of the Securities, the date of issue of the Securities, the issue price, the underlying asset, index or other item(s) to which the Securities relate, certain other terms relating to the offering and sale of the Securities including, in the case of Certificates, whether they bear remuneration and the exercise date and, in the case of Warrants, the exercise price and the exercise period or date.

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

As specified in the applicable Final Terms, each issue of Securities will entitle the holder thereof either to receive a cash amount from the Issuer calculated in accordance with the Conditions and/or to receive delivery of specified securities or other asset(s) on such terms as are set out in the Conditions, all as set forth in the Conditions.

Upon exercise of Physical Delivery Securities, in order to receive the relevant Entitlement, each Securityholder will be required to certify (in accordance with the provisions outlined in "*Offering and Sale*" below) that it is not a U.S. person or a person who has purchased such Security for resale to, or for the account or benefit of, U.S. persons and that it is not exercising such Security on behalf, or for the account or benefit, of a U.S. person.

Copies of Final Terms will be available from the registered office of the Issuer and the specified offices set out below of the Security Agents (as defined below).

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

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

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

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

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

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

States and the European Economic Area (including the Republic of Italy, the United Kingdom, Germany, the Grand Duchy of Luxembourg and the Portuguese Republic) (see "*Offering and Sale*" on page 171).

Warrants create options which are exercisable by the relevant holder and/or will be automatically exercised as provided herein. There is no obligation on the Issuer to pay any amount to any holder of a Warrant or to deliver any asset to any holder of a Warrant unless the relevant holder duly exercises such Warrant or such Securities are automatically exercised and, in certain circumstances, an Exercise Notice is duly delivered. Securities will be exercised or exercisable in the manner set forth herein and in the applicable Final Terms.

The Securities of each issue may be sold by the Issuer and/or any Manager at such time and at such prices as the Issuer and/or the Manager(s) may select. There is no obligation upon the Issuer or any Manager to sell all of the Securities of any issue. The Securities of any issue may be offered or sold from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer.

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

TO ENSURE COMPLIANCE WITH U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION CONTAINED OR REFERRED TO IN THIS BASE PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY, PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE ISSUER BY THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

All references to "USD", "U.S.\$", "\$", "US Dollars", "US dollars" and "U.S. dollars" are to United States dollars and references to "euro", "EUR" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Base Prospectus and any decision to invest in any 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 will attach to the Responsible Person in any such Member State in respect of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in the Terms and Conditions of the Securities and in the remainder of this Base Prospectus shall have the same meanings in this summary.

Issuer: Banca IMI S.p.A.

Information about the Issuer: The Issuer is a bank organised and existing under the laws of the Republic of Italy engaged in investment banking activities. The Issuer is registered with the Companies' Register of Milan under No. 04377700150. Its registered office is at Largo Mattioli 3, 20121 Milan, with telephone number +39 02 72611. The Issuer is a wholly-owned subsidiary of Intesa Sanpaolo S.p.A., the parent company of the Intesa Sanpaolo banking group.

Principal Security Agent and Luxembourg Listing Agent: Further information about the Issuer, including selected financial information relating to the Issuer, is provided in the section entitled "*Description of the Issuer*" on page 139 of this Base Prospectus. BNP Paribas Securities Services, Luxembourg Branch

Calculation Agent: The Issuer or such other calculation agent specified in the applicable Final Terms.

Description: Structured Securities Programme

Certain Restrictions Each issue of Securities denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Offering and Sale*").

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Securities issued under the Programme. These are set out at page 13 under "*Risk Factors*" below and include credit risk, risks connected to the general performance of the economy, risks connected to fiscal and monetary policies, risk connected to the liquidity and prospects of the capital markets, counterparty risk and litigation risk.

In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme. These are set out at pages 13 to 31 under "*Risk Factors*" below and include exposure to an underlying asset or basis of reference, factors affecting the value and trading price of Securities, certain considerations regarding hedging, specific risks in relation to each of Share Securities, Currency Securities, Fund Securities and Credit Securities, option to vary settlement, market disruption, settlement disruption, expenses and

taxation, illegality and cancellation, change of law, potential conflicts of interest (including between the Calculation Agent and the Securityholders, where the Issuer acts as Calculation Agent), physical delivery requirements and settlement risk, time lag after exercise (in the case of Warrants), minimum exercise amount (in the case of Warrants), limitations on exercise (in the case of Warrants), possible illiquidity of the Securities in the secondary market and exchange rate risks and exchange controls.

Investors should consider that an investment in Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities, Commodity Securities, Credit Securities or other Securities linked to other assets or bases of reference, may entail significant risks not associated with investments in conventional securities such as debt or equity securities. Purchasers should be prepared to sustain a partial or total loss of the purchase price of their Securities.

In certain circumstances, the Calculation Agent may make certain determinations in respect of the Securities, which could affect the amount payable or deliverable by the Issuer on the Securities.

Before making any decision to purchase Securities, prospective investors must review the applicable Final Terms to determine the relevant underlying instrument or base of reference, how the Cash Settlement Amount or Entitlement (as the case may be) is determined, how any remuneration payable is determined (in the case of Certificates) and when such amounts are payable and/or deliverable, as the case may be.

Prospective investors should ensure that they understand the nature of the relevant Securities and the suitability of the relevant Securities as an investment in light of their own circumstances and financial condition.

Distribution:

Securities may be issued on a continuous basis and may be distributed by way of private or public placement as specified in the applicable Final Terms. If distributed by way of public placement, the placement activities will be carried out by distributors appointed from time to time as indicated in the relevant Final Terms. If the applicable Final Terms so specify, Securities may be distributed to one or more Managers.

Settlement Currencies:

Euro, U.S. dollars or any other currency or currencies selected by the Issuer or any Manager, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Issuer may issue Securities in respect of which the Cash Settlement Amount and/or Remuneration Amount may be payable, as specified in the applicable Final Terms, in one or more currencies which may be different from the currency in which the Issue Price was denominated (**Dual Currency Securities**).

Issue Price:

Securities may be issued at such price as shall be determined by the Issuer or any Manager appointed in respect of the issue subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Issue Price will be specified in the applicable Final Terms.

Form of Securities:	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 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.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and also through any additional or alternative Clearing Systems indicated in the applicable Final Terms.
Type of Securities:	<p>The Issuer may issue Warrants or Certificates (together, Securities) of any kind, including but not limited to Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities, Commodities Securities and Credit Securities, as specified below.</p> <p>Remuneration may be payable in respect of Certificates, if so specified in the applicable Final Terms.</p> <p>Warrants may be European Style Warrants, American Style Warrants or such other style specified in the applicable Final Terms.</p>
Settlement:	Settlement will be by way of cash payment (Cash Settled Securities) or physical delivery (Physical Delivery Securities).
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:	<p>The Cash Settlement Amount in respect of Cash Settled Share Securities will be calculated by reference to a single share or basket of shares.</p> <p>The Entitlement in respect of Physical Delivery Share Securities will be a specified amount of shares of one or more companies, as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Currency Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Currency Securities will be calculated by reference to a single currency or basket of currencies.</p> <p>The Entitlement in respect of Physical Delivery Currency Securities will be a specified amount of the relevant currency or currencies as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Debt Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Debt Securities will be calculated by reference to a single debt instrument or basket of debt instruments.</p> <p>The Entitlement in respect of Physical Delivery Debt Securities will be a specified amount of debt instruments of one or more issuers, as applicable, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>

Commodity Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Commodity Securities will be calculated by reference to a single commodity or basket of commodities.</p> <p>The Entitlement in respect of Physical Delivery Commodity Securities will be a specified amount of commodities, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Fund Securities:	<p>The Cash Settlement Amount in respect of Cash Settled Fund Securities will be calculated by reference to units or shares in a single fund or basket of funds.</p> <p>The Entitlement in respect of Physical Delivery Fund Securities will be a specified amount of fund shares or units, subject to payment of the relevant Exercise Price (in the case of Warrants) and any other sums payable.</p>
Credit Securities:	<p>The Cash Settlement Amount in respect of Credit Securities will be calculated by reference to the credit of a specified entity or entities.</p>
Other Securities:	<p>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.</p>
Warrants:	<p>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 Expiration Date).</p> <p>American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period (with the last Exercise Business Day of the Exercise Period being the Expiration Date).</p> <p>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.</p> <p>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 Agency Agreement, copies of which may be obtained from the specified office of the Principal Security Agent and the registered office of the Issuer.</p>
Certificates:	<p>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 Agency Agreement, copies of which may be obtained from the specified office of the Principal Security Agent and the registered office of the Issuer.</p>

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 Principal Security 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 Securities:

Securities constitute direct, unsubordinated, unconditional 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.

Expenses and Taxation:

All payments made by the Issuer shall be made subject to all taxes, duties, withholdings or other payments which may be required to be made, paid, withheld or deducted as a result of the ownership, transfer, exercise, redemption or enforcement of any Security. All payments in respect of the Securities will be made subject to any withholding or deduction required pursuant to FATCA.

A holder of a Security must pay all taxes, duties and/or expenses arising from the exercise and/or redemption of such Security.

Investors are encouraged to read the section "*Taxation*" beginning on page 154 of the Base Prospectus.

Use of Proceeds:

The Issuer intends to use the net proceeds from each issue of Securities for general corporate purposes, including making a profit. A substantial portion of the proceeds may be used to hedge market risks with respect to the Securities. If in respect of any particular issue of Securities, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

Governing law:

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and shall be construed in accordance with, English Law.

Listing, approval and admission to trading:

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

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 determined by the Issuer. In particular, the Issuer may list the Securities on the Italian Stock Exchange and admit the Securities to trading on the electronic "Securitized Derivatives market" organised and managed by Borsa Italiana S.p.A. (the **SeDeX**).

The applicable Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and if so, on which stock exchange(s) and/or market(s).

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Securities in the United States and the European Economic Area (including the Republic of Italy, the Grand Duchy of Luxembourg, the Portuguese Republic, Germany and the United Kingdom) and such other restrictions as may be required in connection with the offering and sale of a particular series of Securities, see "*Offering and Sale*".

Substitution of the Issuer:

Unless otherwise indicated in the relevant Final Terms, the Issuer is entitled, subject to the Conditions of the Securities, to substitute any other company as principal debtor in respect of all obligations arising from or in connection with any Securities or to change the branch through which it is acting for the purpose of any Securities. Upon any such substitution of the Issuer or branch, the Conditions of the Securities will be amended in all consequential respects.

RISK FACTORS

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

The Issuer believes that the factors described below, represent the principal risks inherent in investing in Securities issued under the Programme, but the inability of the Issuer to pay Cash Settlement Amounts in respect of Cash Settled Securities or deliver the Entitlement in respect of Physical Delivery Securities may occur or arise for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and the Issuer does not represent that the statements below regarding the risks of holding any Securities are exhaustive. Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently believes to be immaterial could also have a material impact on its business operations or the Securities. The Final Terms in respect of an issue of Securities may contain additional Risk Factors in respect of such Securities. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

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

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

Banca IMI's business could be adversely affected by international markets and economic conditions

Banca IMI's business may be adversely affected by conditions in the global financial markets and economic conditions generally both in Italy and internationally. Factors such as the liquidity of the global financial markets; the level and volatility of equity and bond prices; interest rates and commodities prices; investor sentiment; inflation; and the availability and cost of credit can significantly affect Banca IMI's business and as a result Banca IMI's operating results, financial condition and prospects.

A market downturn would likely lead to a decline in the volume of transactions that Banca IMI executes for its customers and, therefore, lead to a decline in the revenues it receives from trading commissions and spreads. In addition, lower market volatility will reduce trading and arbitrage opportunities, which could lead to lower trading revenues. Higher interest rates or weakness in the markets also could adversely affect the willingness of financial sponsors or investors to participate in loan syndications or underwritings managed by Banca IMI. In addition, the revenues derived from mark-to-market values of Banca IMI's financial and other assets may be affected by many factors, including its credit standing, its success in proprietary positioning, volatility in interest rates and equity and debt markets and other economic and business factors and other factors. There can be no assurance that any volatility relating to the above factors or other conditions could not materially adversely affect Banca IMI's operating results, financial condition and prospects.

Banca IMI's business is exposed to counterparty credit risk

Counterparty credit risk is the risk of losses due to the failure on the part of Banca IMI's counterparties to meet their payment and/or deliveries obligations to the Issuer. Counterparty credit risk refers to all claims against customers, mainly loans, but also liabilities in the form of other extended credits, guarantees, holding of securities, approved and undrawn credits, as well as counterparty risk arising through derivatives and foreign exchange contracts.

Banca IMI's counterparties may be unable to meet their obligations to the Issuer due to bankruptcy, lack of liquidity, operational malfunctioning or for any other reasons and any such default could have an adverse effect on Banca IMI's operating results, financial condition and prospects.

In addition, the default of any important participant in the financial market or even the likelihood of such a default, even where such a participant is not a direct Banca IMI's counterparty, may give rise to significant liquidity problems or losses or defaults on the part of other banks, which in turn could have an adverse effect on the Issuer. Furthermore, a downgrading in the credit rating of third parties in which the Issuer holds securities and bonds could result in losses and/or have an adverse effect on the Issuer's capacity to enter into transactions on such securities or bonds, or to use such securities for liquidity purposes. A significant downgrading of the Issuer's counterparties could therefore have a negative impact on the Issuer's own results. Whereas, in many cases, the Issuer may be entitled to ask for additional guarantees from counterparties in financial difficulties, disputes may arise regarding the amounts of the guarantees that the Issuer is entitled to receive and/or the value of the assets required as security and/or additional security. Defaults, credit rating downgradings and disputes with counterparties regarding the valuation of guarantees usually increase substantially in circumstances where market turmoil and illiquidity are prevailing.

In addition, the credit quality of Banca IMI's on-balance sheet and off-balance sheet assets may be affected by business conditions. In a poor economic environment there is a greater likelihood that more of Banca IMI's customers or counterparties could become delinquent on their loans or other obligations to Banca IMI which, in turn, could result in a higher level of charge-offs and provision for credit losses, all of which are likely to adversely affect Banca IMI's operating results, financial condition and prospects.

Banca IMI's business is exposed to market risk

Banca IMI is exposed to market risk, as the value of the financial and other assets held by Banca IMI in its trading portfolio may decrease as a result of changes in market variables (such as interest rates, exchange rates and currencies, stock market prices, the prices of raw materials, credit spreads and/or other variables). Such changes could be generated by changes in general economic trends, changes in investors' propensity to invest, monetary and fiscal policies, market liquidity on a global scale, reduced availability and increased cost of capital, rating agency decisions, political events at both local and international level, military conflicts.

There can be no assurance that any reduction in value of the financial and other assets held by Banca IMI in its trading portfolio could not materially adversely affect Banca IMI's operating results, financial condition and prospects.

Banca IMI's business is exposed to increasing competition in the financial services industry

Banca IMI operates in a highly competitive environment and expects competitive conditions to continue to intensify as continued merger activity in the financial services industry produces larger, better-capitalized and more geographically-diverse companies that are capable of offering a wider array of financial products and services at more competitive prices.

Banca IMI faces stiff competition in all business areas and competes both in Italy and abroad with investment banks, securities firms, brokerages and other financial services providers. Competition includes global financial institutions, local banks and European financial institution, which are more similar to Banca IMI in terms of both size and services offered.

Ongoing or increased competition may put downward pressure on prices for Banca IMI's products and services, may cause Banca IMI to lose market share, or may require Banca IMI to make additional capital investment in its businesses in order to remain competitive. There can be no assurance that the significant and increasing competition in the financial services industry will not materially adversely affect Banca IMI's future results of operations.

Banca IMI's business is exposed to liquidity risk

Banca IMI's funding capability is critical to its ability to operate its businesses, grow and be profitable. Potential conditions that could negatively affect Banca IMI's funding capability include events making Banca IMI unable to obtain access to capital markets by issuing debt instruments (with or without security) or materially impairing such ability, unforeseen cash or capital requirements or an inability to sell assets or redeem investments.

Banca IMI's credit ratings are also an important part of maintaining its liquidity and funding capability, as a reduction in Banca IMI's credit ratings would negatively affect Banca IMI's funding capability. A credit ratings downgrade, depending on its severity, could potentially increase borrowing costs, limit access to capital markets, require cash payments or collateral posting, and permit termination of certain contracts material to Banca IMI.

In addition, it should be noted that in response to the Euro-zone financial markets crisis and its resulting effects (reduced liquidity available to market operators in the industry, increase of risk premiums and capital requirements demanded by investors), intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many Euro-zone countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting Banca IMI's business, financial condition and results of operations.

Banca IMI's business is exposed to operational risks

Operational risk is the risk of losses caused by errors, breaches of law, interruptions and damage caused by internal processes, staff or systems, or caused by external events. Banca IMI is exposed to many types of operational risk, including the risk of fraud on the part of its employees and outside parties, the risk of unauthorised transactions being carried out by employees and the risk of operational errors including those due to faults or malfunctioning in the information technology or telecommunications systems.

If any of financial, accounting, or other data processing systems used by Banca IMI fail or have other significant shortcomings, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates such operations or systems, Banca IMI could be materially adversely affected, as any of these occurrences could result in a diminished ability of Banca IMI to operate one or more of its businesses, potential liability to clients, reputational damage and regulatory intervention.

Banca IMI may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control, which may include, for example, computer viruses or electrical or telecommunications outages or natural disasters or events arising from local or regional politics, including terrorist acts. Such disruptions may give rise to losses in service to customers and loss or liability to Banca IMI.

There is no assurance Banca IMI's controls and procedures as well as business continuity and data security systems prove to be adequate at all times and in all circumstances. There is no assurance that significant deficiencies or material weaknesses in internal controls may not occur in the future.

Banca IMI's business is exposed to reputational risk

Banca IMI's ability to attract and retain customers and transact with its counterparties could be adversely affected to the extent its and/or Intesa Sanpaolo Group's reputation is damaged. In addition, the failure of Banca IMI to deal, or to appear to fail to deal, with various issues that could give rise to reputational risk could cause

harm to Banca IMI and its business prospects and could adversely affect Banca IMI's operating results, financial condition and prospects.

Legal risks

In the normal course of its business, Banca IMI is party to a number of legal proceedings including class actions and other litigation or disputes with third parties, as well as investigations or proceedings brought by regulatory agencies. Such actions brought against Banca IMI may result in judgments, settlements, fines, penalties or other results adverse to Banca IMI which could materially adversely affect Banca IMI's business, financial condition or results of operation, or cause it serious reputational harm.

To cover its litigation risks, Banca IMI has made provision for risks and charges totalling approximately €13,600,000 as at 31 December 2011.

For more detailed information, see paragraph headed "*Litigation*" under the section headed "*Description of Banca IMI S.p.A.*".

Banca IMI operates within a highly regulated industry and its business and results are affected by the regulations to which it is subject

Banca IMI operates within a highly regulated environment and it is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission (CONSOB), the European Central Bank and the European System of Central Banks. The regulations to which Banca IMI is subject will continue to have a significant impact on Banca IMI's operations and the degree to which it can grow and be profitable.

Regulators to which Banca IMI is subject have significant power in reviewing Banca IMI's operations and approving its business practices. The regulatory framework governing 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 Banca IMI. Significant uncertainty remains around the final requirements and implementation of the proposed initiatives. If certain of these measures were implemented as currently proposed, they would be expected to have a significant impact on the capital and asset and liability management of Banca IMI.

In addition, as Banca IMI expands its international operations, its activities will become subject to an increasing range of laws and regulations that will likely impose new requirements and limitations on certain of Banca IMI's operations.

There is no assurance that any change to the current regulatory requirements to which Banca IMI is subject, or the way in which such regulatory requirements are interpreted or enforced, will not have a negative affect on Banca IMI's ability to conduct its business or its financial condition, cash flows and results of operations.

Banca IMI's framework for managing its risks may not be effective in mitigating risks and losses

Banca IMI's risk management framework is made up of various processes and strategies to manage Banca IMI's exposure. Types of risk to which Banca IMI is subject include liquidity risk, credit risk, market risk, operational risk, reputational and legal risk among others.

There can be no assurance that Banca IMI's framework to manage risk, including such framework's underlying assumption, will be effective under all conditions and circumstances. There can be no assurance that, should Banca IMI's risk management prove to be ineffective and/or ineffective in certain conditions or circumstances, this will not result in Banca IMI suffering unexpected losses or that such risk management inefficiency will not materially adversely affect Banca IMI's business, financial condition or results of operation.

Current disruptions and volatility in the Euro-zone financial markets may significantly impact Banca IMI's business

During the course of 2011, the debt crisis in the Euro-zone has intensified and three countries (Greece, Ireland and Portugal) have requested the financial aid of the European Union and the International Monetary Fund. Credit quality has generally declined, as reflected by the repeated downgrades suffered by several countries in the Euro-zone since the beginning of the sovereign debt crisis in May 2010. The large sovereign debts and fiscal deficits in European countries have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries.

As Banca IMI's businesses and revenues are mainly derived from operations in the Italian and Euro-zone markets, they may be subject to negative fluctuations as a result of the above considerations. There can be no assurance that Banca IMI will not suffer losses in the future arising from its trading activities or operations in the Italian and Euro-zone markets. In addition, there is no assurance that the debt crisis in the Euro-zone will not affect Banca IMI's liquidity sources and funding capabilities.

Banca IMI's business is sensitive to current adverse macroeconomic conditions in Italy

Although Banca IMI operates in many countries, Italy is its primary market. Banca IMI's businesses are therefore particularly sensitive to adverse macroeconomic conditions in Italy.

The persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other Euro-zone and OECD nations, could have a material adverse effect on Banca IMI's business, results of operations or financial condition.

In addition, any downgrade of the Italian sovereign credit rating, or the perception that such a downgrade may occur, may destabilise the markets and have a material adverse effect on the Banca IMI's operating results, financial condition and prospects.

Creditworthiness of the Issuer

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. The Issuer issues a large number of financial instruments, including the Securities and, at any given time, the financial instruments outstanding may be substantial.

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

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

The Securities may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to evaluate the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or

any applicable supplement to the Base Prospectus and all information contained in the applicable Final Terms;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with a Cash Settlement Amount payable in one or more currencies, or where the Settlement Currency is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Securities and be familiar with any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In addition, an investment in Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities, Commodity Securities, Credit Securities or other Securities linked to other assets or bases of reference, may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "*Risks related to the structure of a particular issue of Securities*" set out below.

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

Option Risk

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 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 features.

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), the creditworthiness of the specified reference entity or entities or other asset or basis of reference to which the value of the relevant Securities may relate, as specified in the applicable Final Terms.

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), the creditworthiness of the specified reference entity or entities or other asset or basis of reference which may be specified in the applicable 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. See "*Possible Illiquidity of the Securities in the Secondary Market*" below.

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. Fluctuations in the creditworthiness of the specified reference entity or entities will affect the value of the Credit 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, debt instruments, shares, funds, currencies, commodities, the credit of various reference entities, or various other assets or bases of reference as may be specified in the applicable Final Terms. However, no assurance can be given that the Issuer will issue any Securities other than the Securities to which particular Final Terms relate. At any given time, the number of Securities outstanding may be substantial. Securities provide opportunities for investment and pose

risks to investors as a result of fluctuations in the value of the underlying investment. In general, certain of the risks associated with the Securities are similar to those generally applicable to other options of private corporate issuers. Options or Securities on equities or debt securities are priced primarily on the basis of the value of underlying securities. The trading value of Currency Securities and Commodity Securities is likely to reflect primarily present and expected values of the reference currency (or basket of currencies) or commodity (or basket of commodities) specified in the applicable Final Terms.

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), the creditworthiness of the specified reference entity or entities or the value of the other asset or basis of reference as specified in the applicable Final Terms. Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Securities varies with the price level of the share (or basket of shares), index (or basket of indices), currency (or basket of currencies), debt instrument (or basket of debt instruments), fund (or basket of funds), commodity (or basket of commodities), the creditworthiness of the specified reference entity or entities or the price level of the other asset or basis of reference as specified in the applicable Final Terms, as well as by a number of other interrelated factors, including those specified herein.

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

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 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), the creditworthiness of the specified reference entity or entities or the value of the other asset or basis of reference which may be specified in the applicable 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), the creditworthiness of the specified reference entity or entities or the value of the other asset or basis of reference which may be specified in the

applicable 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.

Certain Considerations Associated with Share Securities

An investment in Share Securities will entail significant risks not associated with an investment in a conventional debt security. In the case of Securities relating to a share (or basket of shares), no issuer of such shares will have participated in the preparation of the relevant Final Terms or in establishing the terms of the Securities and neither the Issuer nor any Manager will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer of shares contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in any relevant Final Terms) that would affect the trading price of the share will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of shares could affect the trading price of the share and therefore the trading price of the Securities.

Except as provided in the Conditions 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.

Certain Considerations Associated with Currency Securities

An Investment in Currency Securities will entail significant risks not associated with an investment in a conventional debt security. Fluctuations in exchange rates of the relevant currency (or basket of currencies) will affect the value of Currency Securities. 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.

Certain Considerations Associated with Fund Securities

An investment in Fund Securities will entail significant risks not associated with an investment in a conventional debt security. An investment in Fund Securities may bear similar market risks to a direct investment in the relevant fund(s) and investors should take advice accordingly.

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

An investment in Commodity Securities will entail significant risks not associated with an investment in a conventional debt security. 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. This means that any commodity futures contracts which expire prior to the relevant payment date under the applicable Commodity Securities are replaced with commodity futures contracts that have a later expiry date. Investors may, therefore, only marginally benefit from any rise or fall in the price of the commodities.

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

Certain Considerations Associated with Index Securities

An investment in Index Securities will entail significant risks not associated with an investment in a conventional debt security. The underlying index may be a well known and widely published index or an index which may not be widely published or available. The index may reference, *inter alia*, equities, bonds, currency exchange rates, or other securities or it may be a property index referencing certain property price data which will be subject to market price fluctuations, or reference a number of different assets or indices. A property index may include valuations only and not actual transactions and the property data sources used to compile the index may be subject to change, which may adversely affect the return on the Securities. In addition, the property index may be sponsored and/or calculated by the Issuer or one of its affiliates.

Certain Considerations Associated with Debt Securities

An investment in Debt Securities will entail significant risks not associated with an investment in a conventional debt security. On redemption or exercise, as the case may be, of Debt Securities, Holders will receive an amount (if any) determined by reference to the value of the underlying debt instrument(s) and/or the physical delivery of a given number of debt instrument(s). Accordingly, an investment in Debt Securities may bear similar market risks to a direct investment in the underlying debt instrument, and investors should take advice accordingly.

Certain Considerations Associated with Credit Securities

An investment in Credit Securities will entail significant risks not associated with an investment in a conventional debt security. The Issuer may issue Securities where the Cash Settlement Amount and/or Remuneration Amount(s) payable is dependent upon whether certain events (**Credit Events**) have occurred in respect of one or more reference entity/entities (**Reference Entities**) and, if so, such amount may be dependent on the value of certain assets of such Reference Entity/Entities as specified in the applicable Final Terms.

The price of Credit Securities may be volatile and will be affected by, amongst other things, the time remaining to the redemption date or expiration date and the creditworthiness of the Reference Entity/Entities, which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

The holders of Credit Securities will be exposed to the credit risk of one or more Reference Entities, which exposure may be, as stated in the applicable Final Terms, up to the full extent of their investment in such Credit Securities. The occurrence of a Credit Event in relation to any Reference Entity from time to time may result in

the Credit Securities paying a reduced or zero Cash Settlement Amount and/or (if applicable) a reduced or zero Remuneration Amount(s). Upon the occurrence of any of the default events comprising a Credit Event with respect to any Reference Entity, the holders of such Credit Securities may then suffer significant losses at a time when losses may be suffered by a direct investor in obligations of such Reference Entity. However, the holding of a Credit Security is unlikely to lead to outcomes which exactly reflect the impact of investing in an obligation of a Reference Entity, and losses could be considerably greater than would be suffered by a direct investor in the obligations of a Reference Entity and/or could arise for reasons unrelated to such Reference Entity. Holders should also note that a Credit Event may occur even if the obligations of a Reference Entity are unenforceable or their performance is prohibited by any applicable law or exchange controls.

Following the occurrence of a Credit Event, the Calculation Agent may be required by the applicable Final Terms to seek quotations in respect of select obligations of the affected Reference Entity. Such quotations may not be available, or the level of such quotations may be substantially reduced or may vary substantially as a result of illiquidity in the relevant markets or as a result of factors other than the credit risk of the affected Reference Entity (for example, liquidity constraints affecting market dealers).

Accordingly, any quotations so obtained may be significantly different from the value of the relevant obligation which would be determined by reference to (for example) the present value of related cashflows. Where credit losses are determined on the basis of a market protocol, such losses may vary from the losses which would have been determined in the absence of such protocol. If the Calculation Agent or any affiliate thereof participates in any auction for the purposes of such a protocol, then it will do so without regard to the interests of the holders of the Securities. Such participation may have a material effect on the outcome of the relevant auction.

Actions of Reference Entities (for example, merger or demerger or the repayment or transfer of indebtedness) may adversely affect the value of the Credit Securities. Holders of the Securities should be aware that the Reference Entities to which the value of the Securities is exposed, and the terms of such exposure, may change over the term of the Securities.

Credit Securities do not constitute an acquisition by the holders of the Securities of any interest in any obligation of a Reference Entity. The Issuer does not grant any security interest over any such obligation.

Prospective purchasers should be aware that the Issuer's obligations in respect of Credit Securities are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to a Reference Entity, and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

The Issuer and the Calculation Agent are not obliged to disclose to holders of the Securities any information which they may have at the Issue Date or receive thereafter in relation to any Reference Entity.

Individual Reference Entities may not perform as indicated by the historical performance of similar entities and no assurance can be given with respect to the future performance of any Reference Entities. Historical default statistics may not capture events that would constitute Credit Events for the purposes of the Securities. Investors should then conduct their own investigation and analysis with respect to the creditworthiness of Reference Entities and the likelihood of the occurrence of a Credit Event.

Reference Entities may not be subject to regular reporting requirements. The Reference Entities may report information in accordance with different disclosure and accounting standards. Prospective investors should note that in certain circumstances, there may be no requirement for the Issuer to give information which is generally publicly available in relation to the occurrence of a Credit Event. If a Credit Event occurs in respect of a Reference Entity which is not public, holders of the Securities may not be able to verify the occurrence of such Credit Event. None of the Issuer or the Calculation Agent or any of their respective affiliates make any representation as to the accuracy or completeness of any information available with respect to the Reference Entities and none of the Issuer or the Calculation Agent or any of their respective affiliates will have any obligation to keep investors informed as to any matters with respect to the Reference Entities or any of their

obligations, including whether or not circumstances exist that give rise to the possibility of the occurrence of a Credit Event with respect to the Reference Entities.

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) (*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.

Risks Related to Securities Generally

Option to Vary Settlement

If the applicable 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 Conditions 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 Conditions also provide that the Principal Security 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 Agency Agreement which is not prejudicial to the interests of the Securityholders or (ii) any modification of the Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or proven error or to comply with mandatory provisions of 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.

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.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Securities characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) or similar law implementing an intergovernmental approach to FATCA. In addition, pursuant to the Conditions of the Securities, the Issuer may issue further Securities (**Further Securities**) in respect of any Series of Securities already issued (**Existing Securities**) such that the Further Securities shall be consolidated and form a single Series with the Existing Securities. An issue of Further Securities after 31 December 2012 that will be consolidated and form a single Series with, and have the same operational identification numbers as, Existing Securities issued on or before 31 December 2012 may result in such Existing Securities also being subject to withholding.

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

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

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Securities issued after 31 December 2012 (or whenever issued, in the case of Securities treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

Legislation Affecting Dividend Equivalent Payments

The United States Hiring Incentives to Restore Employment Act (the **HIRE Act**) treats a "dividend equivalent" payment as a dividend from sources within the United States. Under the HIRE Act, unless reduced by an applicable tax treaty with the United States, such payments generally will be subject to U.S. withholding tax. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii). Beginning 1 January 2013, a dividend equivalent payment includes a payment made pursuant to any notional principal contract that falls into one of the seven categories specified by the IRS unless otherwise exempted by the IRS. Where the Securities reference an interest in a fixed basket of securities or an index, such fixed basket or index will be treated as a single security. Where the Securities reference an interest in a basket of securities or an index that may provide for the payment of dividends from sources within the United States, absent final guidance from the IRS, it is uncertain whether the IRS would determine that payments under the Securities are substantially similar to a dividend. If the IRS determines that a payment is substantially similar to a dividend, it may be subject to U.S. withholding tax, unless reduced by an applicable tax treaty. If withholding is so required, the Issuer will not be required to pay any additional amounts with respect to amounts so withheld.

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 (as may be amended by the applicable 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 Final Terms, each Unit, as set out in the Conditions, 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 Conditions 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.

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 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 Managers or Distributors will be indicated in the relevant Final Terms.

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 Principal Security Agent (a) a duly completed Exercise Notice on or prior to the relevant time on the Expiration Date (in the case of a Physical Delivery Warrant) or (b) a duly completed Physical Delivery Confirmation Notice on or prior to the relevant time on the Exercise Date (in the case of a Physical Delivery Certificate) and (2) pay the relevant Exercise Price (in the case of a Warrant) and Expenses (in the case of a Warrant or a Certificate), together with any other amounts payable. Failure to do so will result (i) in the case of a Warrant where Automatic Exercise is not specified in the applicable Final Terms, the relevant Warrant's becoming void or (ii) in the case of a Warrant where Automatic Exercise is specified in the applicable Final Terms, or in the case of a Certificate, the Securityholder receiving the Assessed Value Payment Amount instead of the Entitlement. The Assessed Value Payment Amount will be determined by the Calculation Agent by reference to the fair market value of the assets comprised in the Entitlement. See Condition 16 for Warrants and Condition 20 for Certificates.

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

If so indicated in the applicable Final Terms, the relevant Issuer has an option to vary settlement in respect of the Securities. If exercised by the 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.

EU Savings Directive

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

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

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

Credit ratings may not reflect all risks

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

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

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 Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation (in the case of American Style Warrants), the

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

Minimum Exercise Amount

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

Limitations on Exercise

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

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 risk and credit risk.

Impact of implicit fees on the Issue/Offer Price

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

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

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

Certain considerations associated with public offers of Securities

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

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

Possible Illiquidity of the Securities in the Secondary Market

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

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

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

Listing of Securities

In respect of Securities which are (in accordance with the applicable Final Terms) to be listed on a stock exchange, market or quotation system, the 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 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.

Exchange rate risks and exchange controls

In the case of Cash Settled Securities, the Issuer will pay the Cash Settlement Amount in respect of the Securities in the Settlement Currency specified in the applicable Final Terms. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or revaluation of the Investor's Currency) 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 Settlement Currency would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency equivalent value of the Cash Settlement Amount in respect of the Securities and (iii) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, the Cash Settlement Amount that investors may receive may be less than expected or zero.

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

Legal Risks

Legal investment considerations may restrict certain investments

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

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

No reliance

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

Disclaimers

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

OVERVIEW OF THE PROGRAMME

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

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

Words and expressions defined in the Terms and Conditions of the Securities and in the remainder of this Base Prospectus shall have the same meanings in this overview.

Issuer:	Banca IMI S.p.A.
Description:	Structured Securities Programme
Certain Restrictions	Each issue of Securities denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Offering and Sale</i> ").
Principal Security Agent and Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Calculation Agent:	The Issuer or such other calculation agent specified in the applicable Final Terms.
Settlement Currencies:	Euro, U.S. dollars or any other currency or currencies selected by the Issuer or any Manager, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Issuer may issue Securities in respect of which the Cash Settlement Amount and/or Remuneration Amount may be payable, as specified in the applicable Final Terms, in one or more currencies which may be different from the currency in which the Issue Price was denominated (Dual Currency Securities).
Issue Price:	Securities may be issued at such price as shall be determined by the Issuer or any Manager appointed in respect of the issue subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Issue Price will be specified in the applicable Final Terms.
Form of Securities:	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 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.
Type of Securities:	The Issuer may issue Warrants or Certificates (together, Securities) of any kind, including but not limited to Index Securities, Share Securities, Debt Securities, Currency Securities, Fund Securities,

Commodities Securities and Credit Securities, as specified below.

Remuneration may be payable in respect of Certificates, if so specified in the applicable Final Terms.

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

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

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.

Credit Securities	The Cash Settlement Amount in respect of Credit Securities will be calculated by reference to the credit of a specified entity or entities.
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:	<p>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 Expiration Date).</p> <p>American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period (with the last Exercise Business Day of the Exercise Period being the Expiration Date).</p> <p>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.</p> <p>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 Agency Agreement, copies of which may be obtained from the specified office of the Principal Security Agent and the registered office of the Issuer.</p>
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 Agency Agreement, copies of which may be obtained from the specified office of the Principal Security Agent and the registered office of the Issuer.
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 Principal Security 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.
Substitution of the Issuer:	Unless otherwise indicated in the relevant Final Terms, the Issuer is entitled, subject to the Conditions of the Securities, to substitute any other company as principal debtor in respect of all obligations arising from or in connection with any Securities or to change the branch through which it is acting for the purpose of any Securities.

Upon any such substitution of the Issuer or branch, the Conditions of the Securities will be amended in all consequential respects.

DOCUMENTS INCORPORATED BY REFERENCE

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

1. The audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2010:

	<i>2010 Company Financial Statements</i>	<i>2010 Consolidated Financial Statements</i>
Balance sheet	Pages 61-62	Pages 261-262
Income statement	Page 63	Page 263
Changes in shareholders' equity	Pages 65-66	Page 265
Statement of cash flows	Pages 67-68	Pages 266-267
Accounting principles and explanatory notes	Pages 71-204	Pages 271-363
Auditors' report	Page 214-215	Pages 367-368

2. The audited company financial statements and the audited consolidated financial statements of the Issuer for the financial year ending 31 December 2011:

	<i>2011 Company Financial Statements</i>	<i>2011 Consolidated Financial Statements</i>
Balance sheet	Pages 69-70	Page 268
Income statement	Page 71	Page 269
Changes in shareholders' equity	Page 74	Page 271
Statement of cash flows	Page 75 - 76	Pages 272-273
Accounting principles and explanatory notes	Pages 79-216	Pages 277-369
Auditors' report	Pages 223-224	Pages 373-374

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

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

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

FORM OF FINAL TERMS

BANCA IMI S.P.A.

[Title of Warrants or Certificates]

under the Structured Securities Programme

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the 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 Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 51 of Part A below, provided such person is one of the persons mentioned in Paragraph 51 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances. The expression **Prospectus Directive** means Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.]¹

[The Base Prospectus referred to below (as completed by 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 (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 in that Relevant Member State of the Securities may only do so in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances. The expression **Prospectus Directive** means Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.]²

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 1 June 2012 [and the supplement to the Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). This document (which for the avoidance of doubt may be issued in

¹ Consider including this legend where a non-exempt offer of Securities is anticipated. (NB. Not relevant for an issue of Securities with an issue price equal to or greater than EUR50,000 or, after the implementation of the 2010 PD Amending Directive in the relevant Member State, €100,000 (or its equivalent in another currency).)

² Consider including this legend where only an exempt offer of Securities is anticipated. (NB. Not relevant for an issue of Securities with an issue price of equal to or greater than EUR50,000 or, after the implementation of the 2010 PD Amending Directive in the relevant Member State, €100,000 (or its equivalent in another currency).)

respect of more than one series of Securities) 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 the Base Prospectus [as supplemented]. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus [as supplemented]. The Base Prospectus [and the supplement to the Base Prospectus] is [are] available for viewing during normal business hours at the registered office of the Issuer and the specified offices of the Principal Security Agent. The Base Prospectus and, in the case of the Securities admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[The Final Terms relating to each issue of Securities will contain (without limitation) such of the following information as is applicable in respect of such Securities. Any information that is not applicable will be deleted.]

[When adding any other final terms or information consideration should be given as to whether such amendments would be acceptable as Final Terms or whether a prospectus for the issue should be prepared.]

References herein to numbered Conditions are to the terms and conditions of the relevant series of Securities and words and expressions defined in such terms and conditions shall bear the same meaning in these Final Terms insofar as they relate to such series of Securities, save as where otherwise expressly provided.

These Final Terms relate to the series of Securities as set out in "Specific Provisions for each Series" below. References herein to "Securities" shall be deemed to be references to the relevant [Warrants/Certificates] that are the subject of these Final Terms and references to "Securities" and "Security" shall be construed accordingly.

[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 (or incorporated by reference) in the Base Prospectus (including "Risk Factors" on pages 13 to 31 thereof) and these Final Terms.]

[Include any additional risk factors specific to the issue of the relevant Securities which are not covered in the Base Prospectus]

[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 any other person.]

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

[If applicable, insert disclaimer language in respect of the Shares, Index, Debt Instruments, Currencies or Commodities or other asset or reference basis for the Securities.]

1. Issuer: Banca IMI S.p.A.

2. Specific provisions for each Series:

Series Number	No. of Securities issued	[No. of Securities per Unit ³	Issue price [Security/Unit ³	per [Call/Put] ³	[Exercise Price ³	Exercise [Period] ³ /[Date] / [●]
●	●	●	●	[Call/Put]	[insert currency] [●]	[from and including] [●] [to and including] [●]
●	●	●	●	[Call/Put]	[insert currency] [●]	[from and including] [●] [to 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]. (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 Securities / Currency Securities / Commodity Securities / Fund Securities/Credit 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

³ Not applicable for Certificates

"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 purposes 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 [].

[*If the Securities are Cash Settled Securities that are Dual Currency Securities:*

[The Securities are Dual Currency Securities (*include applicable provisions, such as*

- *Rate of Exchange/method of calculating the Rate of Exchange*
- *the party, if any, responsible for calculating the Cash Settlement Amount*
- *the provisions applicable where calculation by reference to the Rate of Exchange is impossible or impracticable, including a description of market disruption or settlement disruption events and adjustment provisions*
- *person at whose option the Specified Currency(ies are payable).*]

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 []; and
(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, Commodity 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 [].
(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 given to whether Failure to Deliver due to Illiquidity would apply to other Physical Delivery Securities)
37. Credit Securities: [Applicable/Not Applicable] [Credit Warrant/Credit Certificate]
[NB: Consider whether definitions

included in Conditions are up-to-date]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Trade Date: []
- (ii) Party responsible for making calculations and determinations pursuant to Condition 13(G), if not the Calculation Agent: []
- (iii) Calculation Agent City: []
- (iv) Reference Entity(ies): []
- Succession Event Backstop Date: [Applicable/Not Applicable]
- (v) Reference Obligation(s): []
- [The obligation[s] identified as follows:
- Primary Obligor: []
- Guarantor: []
- Maturity: []
- Coupon: []
- CUSIP/ISIN: []]
- (vi) All Guarantees: [Applicable/Not Applicable]
- (vii) Credit Events: [Bankruptcy]
[Failure to Pay]
[Grace Period Extension [Applicable/Not Applicable]]
[If Applicable:
Grace Period:[]]
[Obligation Default]
[Obligation Acceleration]

[Repudiation/Moratorium]

[[Restructuring]
- Provisions relating to Multiple Holder Obligation: Condition 13(G)(11) [Applicable/Not Applicable]
- Provisions relating to Restructuring Credit Event: Condition 13(G)(10) [Applicable/Not Applicable] [If Applicable, set out relevant provisions in full]
- [Restructuring Maturity Limitation and Fully Transferable

- Obligation [Applicable/Not Applicable]]
- [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]]
- [other]
- Default Requirement: []
- Payment Requirement: []
- Credit Event Backstop Date: [Applicable/Not Applicable]
- (viii) Conditions to Settlement: Notice of Publicly Available Information [Applicable/Not Applicable]
 [If Applicable:
 Public Source(s): []
 Specified Number: []
- Additional Event Determination Date Definitions: [Applicable/Not Applicable]
- (ix) Obligation(s):
- Obligation Category
- [select one only]: [Payment]
 [Borrowed Money]
 [Reference Obligations Only]
 [Bond]
 [Loan]
 [Bond or Loan]
 [Not Subordinated]
- Obligation Characteristics [Specified Currency:
 [select all of which apply]: [specify currency] [Standard Specified Currencies]]
 [Not Sovereign Lender]
 [Not Domestic Currency:]
 [Domestic Currency means: [specify currency]]
 [Not Domestic Law]
 [Listed]
 [Not Domestic Issuance]
- Additional Obligation(s): []
- (x) Excluded Obligation(s): []
- (xi) Settlement Method: [Cash Settlement/Auction Settlement]
- Fallback Settlement Method: [Cash Settlement/Not Applicable]
- (xii) Accrual of Remuneration upon Credit Event: [Applicable/Not Applicable]

- (xiii) Settlement following Merger Event: Condition 13(G)(8) [Applicable/Not Applicable] [If Applicable, set out relevant provisions in full]:
- (xiv) Unwind Costs: [Standard Unwind Costs/other/Not Applicable]
- (xv) Provisions relating to Monoline Insurer to Reference Entity: [Condition 13(G)(12) [Applicable/Not Applicable]/ [Condition 13(G)(13) [Applicable/Not Applicable]] (N.B. *If Applicable, only one of Condition 13(G)(12) and Condition 13(G)(13) should be specified and the relevant provisions set out in full*)
- (xvi) Credit Event Cash Settlement Amount: []
- (xvii) Provisions relating to Grace Period Extension: [Applicable/Not Applicable] [if Applicable, set out relevant provisions in full]
- (xviii) Credit Event Notice after Restructuring Event: [Applicable/Not Applicable] [if Applicable, set out relevant provisions in full]
- (xix) Credit Event Settlement Date: []/[] Business Days
- (xx) Valuation Date: [Single Valuation Date: [] Business Days]
[Multiple Valuation Dates: [] Business Days; and each [] Business Days thereafter.
Number of Valuation Dates: []]
- (xxi) Valuation Time: []
- (xxii) Quotation Method: [Bid/Offer/Mid-market]
- (xxiii) Quotation Amount: [[]/Representative Amount]
- (xxiv) [Minimum Quotation Amount: []]
- (xxv) Quotation Dealers: []
- (xxvi) Quotations: [Include Accrued Interest/Exclude Accrued Interest]
[Market/Highest]
- (xxvii) Valuation Method: [Average Market/Highest/Average Highest]
[Blended Market/Blended Highest]
[Average Blended Market/Average Blended Highest]
- (xxviii) Other terms or special conditions: []
- (xxix) Auction Credit Event Settlement Amount: []
- (xxx) Auction Credit Event Settlement Date: []

PROVISION RELATING TO WARRANTS

[The following provisions are only applicable to Warrants:]

38. Type of Warrants: (i) The Warrants are [European/American/(specify other)] Style Warrants.
- (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. (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).
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 [●] (Only applicable for Italian Listed Securities)
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 []. (N.B. not applicable for European Style Warrants).
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 Certificate: []
46. Remuneration Payment Dates: [[] and the Settlement Date]
47. Remuneration Amount: [Specify how the Remuneration Amount will be determined.]

GENERAL

48. Form of Securities: Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Securities

only in the limited circumstances specified in the Permanent Global Security

Temporary Global Security exchangeable for Definitive Securities on or after the Exchange Date

Permanent Global Security exchangeable for Definitive Securities only in the limited circumstances specified in the Permanent Global Security

49. Other Final Terms: *[when adding any other final terms consideration should be given as to whether such amendments would be acceptable as Final Terms]*

[insert, including alternative adjustment provisions, if different from those set out in Condition 13]

DISTRIBUTION

50. Syndication: The Securities will be distributed on a [non-]syndicated basis.

(i) [If syndicated, names and addresses of Managers and underwriting commitments:] *[give names, and addresses and underwriting commitments]*

(Including names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers and an indication of the material features of the agreements, including, where applicable, the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Also provide an indication of the placing commission)

(ii) Date of Subscription Agreement:] []

(iii) Stabilising Manager (if any):] [Not applicable/give name [and address, if not provided under paragraph 50(i)]**]

If non-syndicated, name and address of Manager (if not the Issuer): *[Name and address]*

[Total commission and concession: []]

51. U.S. Selling Restrictions [Reg. S compliance category]; [TEFRA D/TEFRA C/TEFRA not applicable]

52. Non exempt Offer* : *[Not Applicable] [An offer of the Securities may be made by the Manager[s] [or through [specify names [and addresses] of other financial intermediaries making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the Issuer") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (the Distributors and, together with the Manager[s], the **Financial Intermediaries**) other than*

* Not relevant for an issue of Securities with an issue price of equal to or greater than EUR50,000 or, after the implementation of the 2010 PD Amending Directive in the relevant Member State, €100,000 (or its equivalent in another currency).

pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (**Public Offer Jurisdictions**) during the period from [*specify date*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"*] (**Offer Period**). See further Paragraph 12 of Part B below.

(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified/passported.)

53. Additional selling restrictions: [give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and public offer in the Public Offer Jurisdictions] [and admission to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg) and, if relevant, admission to an official list (for example, the Official List of the Luxembourg Stock Exchange)*]] of the Securities described herein pursuant to the Structured Securities Programme of Banca IMI S.p.A.

RESPONSIBILITY

[Subject as provided below, the Issuer accepts responsibility for the information contained in these Final Terms. [The information relating to ● [and ●] (the **Reference Information**) contained herein has been accurately extracted from [*insert information source(s)*]. The Issuer accepts responsibility for the accuracy of such extraction but accepts no further or other responsibility in respect of such information.]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made/is expected to be made for the Securities to be admitted to trading on [] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)

2. RATINGS

[The following provisions are only applicable if credit ratings have been specifically assigned to the Securities]

Ratings: [The Securities to be issued [will not be rated]/[[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]

(Where the issue of Securities will not be specifically rated, the following provisions can be deleted)

*[[Insert the legal name of the relevant credit rating agency entity] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]*

*[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such regulation.]]*

*[[Insert the legal name of the relevant non-EU credit rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings have been endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in*

accordance with the CRA Regulation.]] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico/Brazil (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*] may be used in the EU by the relevant market participants.]

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

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority [and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

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

and Markets Authority on its website in accordance with the CRA Regulation].]] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico/Brazil (delete as appropriate)] which have been endorsed by [insert the legal name of the relevant EU credit rating agency entity that applied for registration] may be used in the EU by the relevant market participants.]

3. [NOTIFICATION]

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

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

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

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

(i) Reasons for the offer: []

(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds: []

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) Estimated total expenses: []. *[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]*

((i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

6. YIELD (fixed rate Certificates only)

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. HISTORIC INTEREST RATES (floating rate Certificates only)

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

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

[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 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. 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]] (*Share Securities only*)

[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. 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]] (*Debt Securities only*)

[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. 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]] (*Currency Securities and Dual Currency Securities only*)

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

[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. 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]] *(Fund Securities only)*

[Need to include details of [the/each] fund, the relevant weighting of each fund within a basket of funds 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. INFORMATION IN RELATION TO THE REFERENCE ENTITY/ENTITIES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY/ENTITIES] *(Credit Securities only)*

[Need to include details of the name of the issuer, the ISIN (International Securities Identification Number) of the reference entity/entities, the relevant weighting of each reference entity in a basket of reference entities (if relevant) and where pricing information on and where past and future performance and volatility of the reference entity/entities 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.]

15. TERMS AND CONDITIONS OF THE OFFER *(Public Offer Only)*

Offer Price: [Issue Price][specify]

[Conditions to which the offer is subject:] [Not Applicable/give details]

[The time period, including any possible amendments, during which the offer will be open and description of the application process:] [Not Applicable/give details]

[Details of the minimum and/or maximum amount of application:] [Not Applicable/give details]

[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:] [Not Applicable/give details]

[Details of the method and time limits for paying up and delivering the Securities:] [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 Securities 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*]

16. DISTRIBUTORS

- (i) Name(s) and address(es), to the extent known to the Issuer, of the Distributors in the various countries where the offer takes place: [None/*give details*]
- (ii) Name and address of the co-ordinator(s) of the global offer and of single parts of the offer: [●]
- (iii) Name and address of any paying agents and depository agents in each country (in addition to the Principal Security Agent): [●]
- (iv) Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements: [●]
- (v) Date of signing of the [underwriting] / [placement] agreement [●]

17. OPERATIONAL INFORMATION

(i) ISIN Code:

(ii) Common Code:

[(iii)] Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

[(iv)] Names and addresses of initial Security Agents: []

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 Final Terms, will apply to each issue of Securities and be incorporated by reference into each Global Security. The applicable 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.

The Securities of this series (such Securities being hereinafter referred to as the **Securities**) are issued by Banca IMI S.p.A. (the **Issuer**) pursuant to an Agency Agreement dated 1 June 2012 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) between the Issuer and BNP Paribas Securities Services, Luxembourg Branch as principal security agent (the **Principal Security Agent**, which expression shall include any successor principal security agent and, together with any additional security agents appointed pursuant to Clause 15 of the Agency Agreement, the **Security Agents**, which expression shall include any additional or successor security agents).

The Issuer shall undertake the duties of calculation agent (in this capacity, the **Calculation Agent**) in respect of the Securities unless another entity is so specified as the calculation agent in the applicable Final Terms. The expression Calculation Agent shall, in relation to the relevant Securities, include such other specified Calculation Agent.

The applicable Final Terms for the Securities is attached to the Global Security and supplements these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, be deemed to be incorporated into and thereby supplement, replace or modify these Conditions for the purposes of the Securities. Securities will be either warrants (**Warrants**) or certificates (**Certificates**), as specified in the applicable Final Terms, and references in these Conditions to **Security** and **Securities** will be construed accordingly. Conditions 16, 17 and 18 apply only to Warrants and Conditions 19 and 20 apply only to Certificates. Other Conditions apply to Warrants or Certificates, as applicable. References herein to the **applicable Final Terms** are to Part A of the Final Terms or each Final Terms (in the case of any further securities issued pursuant to Condition 10 and forming a single series with the Securities) (which for the avoidance of doubt may be issued in respect of more than one series of Securities) attached to the Global Security insofar as it relates to 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 Final Terms which, in either case, will be deposited with a depositary (the **Common Depositary**) common to Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**).

On or after the 40th day following the Issue Date of the Securities (the **Exchange Date**) the Temporary Global Security will be exchangeable (a) for a Permanent Global Security or (b) for securities in definitive form (**Definitive Securities**, and the expressions **Definitive Warrants** and **Definitive Certificates** shall be construed accordingly), as indicated in the applicable Final Terms and in each case only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Security are not United States persons or persons who have purchased for resale to any United States person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certification received) to the Principal Security 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 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.

The following legend will appear on all Securities with a maturity of more than one year:

"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 applicable Final Terms for the Securities is attached to the relevant Global Security or the relevant Definitive Security, if applicable, and supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, supplement, replace or modify these Conditions for the purposes of the Securities. References herein to the "applicable Final Terms" are to Part A of the Final Terms attached to the Global Securities or to the Definitive Security, if applicable.

Copies of the Agency Agreement (which contains the form of the Final Terms) and the applicable Final Terms are obtainable at the specified office of the Principal Security Agent, save that if the Securities are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Securityholder holding one or more Securities (as detailed below) and such Securityholder must produce evidence satisfactory to the Issuer or the relevant Security Agent as to its holding of such Securities and identity.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

The Securityholders (as defined in Condition 1(B)) are entitled to the benefit of and are deemed to have notice of and are bound by all the provisions of the Agency Agreement (insofar as they relate to the Securities) and the applicable Final Terms, which are binding on them.

1. Type, Title and Transfer

(A) Type

The Securities are Index Securities, Share Securities, Debt Securities, Currency Securities, Commodity Securities, Fund Securities, Credit Securities, Dual Currency Securities (or a combination of Dual Currency Securities and any of the foregoing) or any other or further type of Securities as is specified in the applicable Final Terms. Certain terms which will, unless otherwise varied in the applicable Final Terms, apply to Index Securities, Share Securities, Debt Securities or Commodity Securities are set out in Condition 13.

The applicable Final Terms will indicate:

- (1) for all Securities:
 - (i) whether settlement shall be by way of cash payment (**Cash Settled Securities**) or physical delivery (**Physical Delivery Securities**);

- (ii) whether Averaging (**Averaging**) will apply to the Securities; and
 - (iii) if Averaging is specified as applying in the applicable Final Terms, the relevant Averaging Dates and, 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 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 Final Terms and whether the Warrants may only be exercisable in Units. If Units are specified in the applicable Final Terms, Warrants must be exercised in Units and any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect; and
- (3) in the case of Certificates only, whether remuneration shall be payable in respect of the Securities.

References in these Conditions, unless the context otherwise requires, to Cash Settled Securities shall be deemed to include references to Physical Delivery Securities, which include an option (as set out in the applicable Final Terms) at the Issuer's election to request cash settlement of such Security and where settlement is to be by way of cash payment, and references in these Conditions, unless the context otherwise requires, to Physical Delivery Securities shall be deemed to include references to Cash Settled Securities which include an option (as set out in the applicable Final Terms) at the 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 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 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 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 Security 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).

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 Principal Security 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

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

3. 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 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 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 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 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 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 Final Terms, each Unit, in each case as determined by the Calculation Agent pursuant to the provisions in the applicable 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 Final Terms;

Commodity Index means each index specified as such in the applicable Final Terms;

Commodity Index Reference Price has the meaning given in the applicable Final Terms;

Disrupted Day means (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index, (ii) the Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred;

Entitlement means, in relation to a Physical Delivery Security, 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 Final Terms as being a Designated Multi-Exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); and
- (b) in respect of Index Securities and in relation to an Index which is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, in respect of each component security of that Index (each a **Component Security**), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent; 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 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 Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time;

Exercise Business Day means:

- (a) in the case of Cash Settled Securities, a day that is a Business Day; and
- (b) in the case of Physical Delivery Securities, a day that is a Business Day and a Scheduled Trading Day;

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 Final Terms state that an application will be made to list and admit such Securities to trading on the Italian Stock Exchange and the expressions **Italian Listed Warrants** and **Italian Listed Certificates** shall be construed accordingly;

Italian Stock Exchange means the electronic "Securitized Derivatives Market" (the **SeDeX**), organised and managed by Borsa Italiana S.p.A.;

Price Source has the meaning given in the applicable 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 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 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 Final Terms;

Scheduled Closing Time means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

Scheduled Trading Day means (a) in relation to Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of that Index, and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session;

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 Final Terms:

- (a) in relation to Cash Settled Securities:
 - (i) where Averaging is not specified in the applicable Final Terms, the fifth Business Day following the Valuation Date provided that if the Securities 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 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 Final Terms; and
- (b) in relation to Physical Delivery Securities, the date specified as such in the applicable Final Terms;

Settlement Price means, in relation to each Cash Settled Security and, in relation to Warrants, if Units are specified in the applicable Final Terms, each Unit:

- (a) in respect of Index Securities other than Index Securities relating to a Commodity Index, subject to Condition 13(A) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
 - (i) in the case of Index Securities relating to a Basket of Indices 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 Final Terms, the level of such Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction, multiplied by 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 Final Terms, the level of the Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction;
- (b) in respect of Share Securities, subject to Condition 13(B) and as referred to in Valuation Date below or Averaging Date above, as the case may be:
 - (i) in the case of Share Securities relating to a Basket of Shares 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 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequently published correction (or, if in the opinion of the Calculation Agent, any such official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Share whose official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be determined based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the relevant Share or on such other factors as the Calculation Agent shall decide), multiplied by the relevant Multiplier, each such value to be converted,

if so specified in the applicable 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 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, without regard to any subsequent published correction (or, if in the opinion of the Calculation Agent, any such official closing price, (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide), such amount to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate and such converted amount to be the Settlement Price, all as determined by or on behalf of the Calculation Agent;
- (c) in respect of Debt Securities, subject 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or if such price is not available, the arithmetic mean of the bid prices for such Debt Instrument at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Instrument, such bid prices to be expressed as a percentage of the nominal amount of such Debt Instrument, multiplied by 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or if such price is not available, the arithmetic mean of the bid prices for such Debt Instrument at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it

from two or more market-makers (as selected by the Calculation Agent) in such Debt Instrument, such bid prices to be expressed as a percentage of the nominal amount of the Debt Instrument;

- (d) in respect of Currency Securities:
 - (i) in the case of Currency Securities relating to a Basket of Subject Currencies, 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent), multiplied by 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic mean (rounded, if necessary, to four decimal places (with 0.00005 being rounded upwards)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent);
- (e) in respect of Commodity Securities or Fund Securities, the provisions relating to the calculation of the Settlement Price will be set out in the applicable 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable 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 Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable 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) (I) in the case of Warrants, the Actual Exercise Date of the relevant Warrant or (II) 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 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 Final Terms, and, in the case of a Share, a price determined in the manner set out in the applicable 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 Final Terms, in each case subject as set out in the applicable Final Terms; and

Valuation Time means (a) in respect of Securities other than Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, in the case of Index Securities or Share Securities, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Index or Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or (b) in relation to Index Securities where the relevant Index is specified in the applicable Final Terms to be a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or if no Valuation Time is specified (i) for the purposes of determining whether a Market Disruption Event has occurred (x) in respect of any Component Security, the Scheduled Closing Time on the relevant Exchange and (y) in respect of any options contracts or futures contracts on the Index, the close of trading on the relevant Related Exchange, and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

4. Physical Delivery Provisions

(A) Settlement Disruption

If, following the exercise of Physical Delivery Securities, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Final Terms is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on any Settlement Date, then such Settlement Date for such Securities shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event, provided that the 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 Final Terms.

(B) *Failure to Deliver due to Illiquidity*

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

- (a) subject as provided elsewhere in these Conditions as amended by the applicable Final Terms, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Settlement Date in accordance with Condition 16(C) or Condition 19(C), as applicable, and, in the case of Warrants, the Calculation Agent shall determine the appropriate *pro rata* portion of the Exercise Price to be paid by the relevant Securityholder in respect of that partial settlement; and
- (b) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the 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 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 Security 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 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) Security Agents

The specified offices of the Security Agents are as set out at the end of these Conditions.

The Issuer reserves the right at any time to vary or terminate the appointment of any Security Agent and to appoint further or additional Security Agents, provided that no termination of appointment of the Principal Security Agent shall become effective until a replacement Principal Security Agent shall have been appointed and provided that, so long as any of the Securities are listed on any stock exchange or admitted to trading or listing by any other relevant authority, there shall be a Security Agent having a specified office in each location required by the rules and regulations of the relevant stock exchange or other relevant authority. Notice of any termination of appointment and of any changes in the specified office of any Security Agent will be given to Securityholders in accordance with Condition 8 provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such termination or changes. In acting under the Agency Agreement, each Security Agent 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 and any Security Agent's determinations and calculations in respect of the Securities shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Securityholders.

The Agency Agreement may be amended by the parties thereto, but without the consent of the Securityholders, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the parties may mutually deem necessary or desirable and which shall not be materially prejudicial to the interests of the Securityholders.

(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 be made in good faith and in a commercially reasonable

manner and 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 be made in good faith and in a commercially reasonable manner and 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 Agency Agreement contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Securities or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing a clear majority of the Securities for the time being outstanding or at any adjourned meeting two or more persons being or representing Securityholders whatever the number or Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Securities (including modifying the date of exercise of the Securities, reducing or cancelling the Cash Settlement Amount or the Entitlement in respect of the Securities or altering the currency of payment of the Securities other than pursuant to Condition 14), the quorum shall be two or more persons holding or representing not less than two-thirds of the Securities for the time being outstanding or at any adjourned such meeting one or more persons holding or representing not less than one-third of the Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Securityholders shall be binding on all the Securityholders, whether or not they are present at the meeting save, in the case of American Style Warrants, for those Warrants remaining outstanding but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

The Principal Security Agent and the Issuer may agree, without the consent of the Securityholders to:

- (a) any modification (except as mentioned above) of the Securities or the Agency Agreement which is not prejudicial to the interests of the Securityholders; or
- (b) any modification of the Securities or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or proven error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Condition 8 as soon as practicable thereafter.

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)) 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). 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

Unless otherwise indicated in the relevant Final Terms, the Issuer (or any previously substituted company from time to time) shall, without the consent of the Securityholders, be entitled at any time to substitute for the Issuer any other company (the **Substitute**) as principal debtor in respect of all obligations arising from or in connection with the Securities provided that (i) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Securities represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute shall have assumed all obligations arising from or in connection with the Securities and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) the obligations of the Substitute in respect of the Securities shall be unconditionally and irrevocably guaranteed by the Issuer; (iv) each stock exchange or listing authority on which the Securities are listed shall have confirmed that following the proposed substitution of the Substitute the Securities would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 30 days' prior notice of the date of such substitution to the Securityholders in accordance with Condition 8.

(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

The Securities, the Global Security and the Agency Agreement (and any non-contractual obligations arising out of or in connection with the Securities, the Global Security and the Agency Agreement) are governed by and shall be construed in accordance with English law.

In relation to any legal action or proceedings arising out of or in connection with the Securities and the Global Security (including any legal action or proceedings relating to any non-contractual obligations arising out of or in connection with the Securities, the Global Security and the Agency Agreement) (**Proceedings**), the Issuer irrevocably submits to the jurisdiction of the courts of England and hereby waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are for the benefit of each of the Securityholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

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

13. Terms for Index Securities, Share Securities, Debt Securities, Commodity Securities, Fund Securities and Credit 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 or index specified in the applicable Final Terms and related expressions shall be construed accordingly; and

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

(1) **Market Disruption**

Market Disruption Event means, in relation to Securities relating to a single Index or Basket of Indices other than Securities relating to a Commodity Index, in respect of an Index:

(a) in respect of an Index other than a Designated Multi-Exchange Index:

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

(A) of any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of

movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

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

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

- (ii) the closure on any Exchange Business Day of any relevant Exchange(s) in securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or

(b) in respect of an Index which is a Designated Multi-Exchange Index either:

- (i) (x) 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
- (y) 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
- (ii) 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 relevant 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 any relevant 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 any 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 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 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 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 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, that the Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

Insolvency means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them.

Merger Date means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

Merger Event means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares

outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before (a) in the case of Cash Settled Securities, the last occurring Valuation Date or where Averaging is specified in the applicable Final Terms, the final Averaging Date in respect of the relevant Security or (b) in the case of Physical Delivery Securities, the relevant Settlement Date.

Nationalisation means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

Tender Offer means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

If (x) a Merger Event, De-listing, Nationalisation or Insolvency and/or (y) Tender Offer is specified as applicable in the applicable 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 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 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, except for Italian Listed Securities, 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 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 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*

For the purposes of this Condition 13(C):

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*

For the purposes of this Condition 13(D):

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 Final Terms.

Change in Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the 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 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 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 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, except for Italian Listed Securities, 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 Final Terms.

(G) *Credit Securities*

Except as set out below, any market disruption, general disruption, adjustment and/or termination provisions relating to Credit Securities will be set out in the applicable Final Terms.

(1) **Settlement or Expiration absent Satisfaction of Conditions to Settlement**

Subject to the provisions of this Condition 13(G) as are applicable to the Credit Securities or as otherwise specified in the applicable Final Terms, the Issuer will settle each Credit Certificate on the Settlement Date (as such date may be extended in accordance with the definition thereof) by payment of an amount equal to the Cash Settlement Amount of such Certificate (together with Remuneration, if any, payable thereon) unless:

- (a) the Credit Certificates have been previously settled or purchased and cancelled in full; or
- (b) the Conditions to Settlement have been satisfied, in which event, subject as set out herein, the Issuer shall settle the Credit Certificates in accordance with Condition 13(G)(2).

Subject to the provisions of this Condition 13(G) as are applicable to the Credit Securities or as otherwise specified in the applicable Final Terms, each Credit Warrant will become void on the related Settlement Date (as such date may be extended in accordance with the definition thereof) unless:

- (c) the Credit Warrants have been previously settled or purchased and cancelled in full; or
- (d) the Conditions to Settlement have been satisfied, in which event, subject as set out herein, the Credit Warrants shall be settled in accordance with Condition 13(G)(2).

(2) Settlement following Satisfaction of Conditions to Settlement

Upon the satisfaction of the Conditions to Settlement, subject as set out in the applicable Final Terms, each Credit Certificate and each Credit Warrant will be deemed to have been automatically exercised on the Event Determination Date and will be settled, subject to the provisions of this Condition 13(G) as are applicable to the Credit Securities or as otherwise specified in the applicable Final Terms:

- (a) if the applicable Settlement Method is Auction Settlement, by payment of the Auction Credit Event Settlement Amount on the Auction Settlement Date or, as appropriate, in accordance with the applicable Fallback Settlement Method (if any); and
- (b) if the applicable Settlement Method is Cash Settlement, by payment of the Credit Event Cash Settlement Amount on the Credit Event Settlement Date.

(3) Suspension of Obligations

If, following the determination of an Event Determination Date in accordance with sub paragraph (i) of the definition of Event Determination Date but prior to the relevant Settlement Date or, to the extent applicable, a Valuation Date, the Calculation Agent determines that a Suspension Event has occurred, the timing requirements of Condition 13(G) relating to Settlement Dates, Valuation Dates, Credit Event Settlement Date(s), such other dates as may be specified in the applicable Final Terms, as applicable, or any other provision that pertains to settlement of the Credit Securities, shall toll and remain suspended until the Suspension Event Cessation Date. The relevant timing requirements and redemption and settlement provisions, as applicable, that have previously tolled or been suspended shall resume on the Business Day following the relevant Suspension Event Cessation Date with the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Condition 13(G)(3). Without prejudice to any amounts payable pursuant to Condition 13(G)(7), no additional amounts shall be payable by the Issuer in connection with any such suspension.

(4) Repudiation/Moratorium Extension

Where "Repudiation/Moratorium" is specified as a Credit Event in the applicable Final Terms, the provisions of this Condition 13(G)(4) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date or, Condition 13(G)(6) applies, and the Repudiation/Moratorium Evaluation Date in respect of such

Potential Repudiation Moratorium may or will, in the sole determination of the Calculation Agent, fall after the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date, then the Calculation Agent shall notify the Securityholders in accordance with Condition 8 that a Potential Repudiation/Moratorium has occurred. If the Repudiation/Moratorium Extension Condition is satisfied and an Event Determination Date does not occur on or prior to the final day of the Notice Delivery Period:

- (i) provided that there are no other Extension Events outstanding as at the Repudiation/Moratorium Evaluation Date, each Credit Certificate shall be settled in accordance with Condition 13(G)(1) on the second Business Day following the Repudiation/Moratorium Evaluation Date; and
- (ii) in the case of remuneration bearing Credit Certificates, the Issuer shall be obliged to pay remuneration calculated as provided herein, accruing from (and including) the Remuneration Payment Date immediately preceding the Exercise Date (or if none, the Remuneration Commencement Date) to (but excluding) the Settlement Date but shall only be obliged to make such payment of remuneration on the second Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in respect of remuneration shall be payable and no additional amount shall be payable in respect of such delay.

(5) **Grace Period Extension**

If "Grace Period Extension" is specified as Applicable in the applicable Final Terms, the provisions of this Condition 13(G)(5) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date but a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date (and such Grace Period(s) is/are continuing as at the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date), then:

- (i) where an Event Determination Date in respect of the Failure to Pay does not occur on or prior to the last day of the Notice Delivery Period:
 - (A) provided that there are no other Extension Events outstanding as at the Grace Period Extension Date, each Credit Certificate will be shall be settled in accordance with Condition 13(G)(1) on the second Business Day following the Repudiation/Moratorium Evaluation Date on the Grace Period Extension Date; and
 - (B) in the case of remuneration bearing Credit Certificates, the Issuer shall be obliged to pay remuneration calculated as provided herein, accruing from (and including) the Remuneration Payment Date immediately preceding the Exercise Date (or if none, the Remuneration Commencement Date) to (but excluding) the Grace Period Extension Date but shall only be obliged to make such payment of remuneration on the Grace Period Extension Date and no further or other amount in respect of remuneration shall be payable and no additional amount shall be payable in respect of such delay; or

- (ii) where a Failure to Pay has occurred on or prior to the last day of the Notice Delivery Period the provisions of Condition 13(G)(2) shall apply to the Credit Securities.

(6) **Extension**

If on the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date the Calculation Agent determines that on or prior to such date:

- (i) a Potential Repudiation/Moratorium may have occurred;
- (ii) a Potential Failure to Pay may have occurred;
- (iii) an Applicable Request has been made on or prior to such date in respect of which an Applicable Resolution has not been published; or
- (iv) without duplication, in the opinion of the Calculation Agent, a Credit Event may have occurred in relation to which the Conditions to Settlement have not been satisfied (such Credit Event, a **Postponement Credit Event**), and

in each case, in respect of which an Event Determination Date has not occurred as at the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date (each such event an **Extension Event**), the Calculation Agent may notify the Securityholders in accordance with Condition 8. In such circumstances, each Credit Certificate shall be settled as follows:

- (A) with respect to a Potential Repudiation/Moratorium, in accordance with Condition 13(G)(4), unless an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 13(G)(7), in which case each Credit Certificate will be shall be settled in accordance with Condition 13(G)(2);
- (B) with respect to a Potential Failure to Pay, in accordance with Condition 13(G)(5), unless an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 13(G)(7), in which case each Credit Certificate will be shall be settled in accordance with Condition 13(G)(2); or
- (C) with respect to an Applicable Request or a Postponement Credit Event, if an Event Determination Date occurs on or prior to the Observation Cut-Off Date and is not reversed pursuant to Condition 13(G)(7), in which case each Credit Certificate will be shall be settled in accordance with Condition 13(G)(2); or
- (D) with respect to an Applicable Request or a Postponement Credit Event, if an Event Determination Date does not occur on or prior the Observation Cut-Off Date or an Event Determination Date is reversed pursuant to Condition 13(G)(7), subject to Condition 13(G)(15) and provided that there are no other Extension Events outstanding as at the Observation Cut-Off Date, each Credit Certificate will be shall be settled in accordance with Condition 13(G)(1) on the second Business Day following the Observation Cut-Off Date (the **Postponed Settlement Date**); and
- (E) in the case of remuneration bearing Credit Certificates only, the Issuer shall, without duplication and without prejudice to Condition 13(G)(7), be obliged to pay remuneration calculated as provided herein accruing from (and including) the Remuneration Payment Date immediately preceding the Exercise Date (or if none the Remuneration Commencement Date) to (but excluding) the Postponed Settlement Date but shall only be obliged to make such

payment of remuneration on the Postponed Settlement Date and no further or other amount in respect of remuneration shall be payable and no additional amount shall be payable in respect of such delay.

An Extension Event will be deemed to be outstanding on any date, if the period specified in (A), (B)(C) or (D)(E) in respect of the relevant Extension Event in which an Event Determination Date may occur has not expired as at such date.

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

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

(ii) Notwithstanding anything to the contrary in these Conditions, but subject as set out in the applicable Final Terms, following the determination of an Event Determination Date, if, in accordance with Condition 13(G)(7)(i):

(A) such Event Determination Date is deemed to have occurred on a date that is earlier than the date originally determined to be the Event Determination Date, an amount equal to the relevant EDD Adjustment Amount (if any) shall be deducted to the fullest extent possible from the Credit Event Settlement Amount or Auction Credit Event Settlement Amount, as applicable; or

(B) such Event Determination Date is deemed not to have occurred, notwithstanding Condition 21(B) each Credit Certificate, where relevant, shall recommence to accrue remuneration (in accordance with Condition 21) from the Remuneration Payment Date (the **Remuneration Recommencement Date**) immediately following the announcement of the Resolution described in Condition 13(G)(7)(i) and an amount equal to the Additional EDD Remuneration Amount shall be payable on such Remuneration Recommencement Date.

(8) **Settlement following a Merger Event**

If "Settlement following a Merger Event" is specified as Applicable in the applicable Final Terms, the relevant provisions shall be set out in the applicable Final Terms.

(9) **Definitions applicable to Credit Securities**

The definitions applicable to Credit Securities are set out in the Annex to these Terms and Conditions.

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

If "Credit Event Notice after Restructuring Credit Event" is specified as Applicable in the applicable Final Terms, the relevant provisions shall be set out therein.

(11) **Provisions relating to Multiple Holder Obligation**

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

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

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

If Condition 13(G)(12) is specified as Applicable in the applicable Final Terms, the relevant provisions shall be set out in the applicable Final Terms.

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

If Condition 13(G)(13) is specified as Applicable in the applicable Final Terms, the relevant provisions shall be set out in the applicable Final Terms.

(14) **Calculation Agent and Calculation Agent Notices**

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 13(G)(14) shall (in the absence of manifest error) be final and binding on the Issuer and the Securityholders. Whenever the Calculation Agent is required to make any determination it may, inter alia, decide issues of construction and legal interpretation. In performing its duties pursuant to the Credit Securities, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Credit Securities including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and neither the Calculation Agent nor the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

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

In the event that a protocol setting out an alternative settlement or valuation method is published by the International Swaps and Derivatives Association (a Protocol) in relation to a Reference Entity, the Calculation Agent may in its sole discretion determine whether or not to follow some or all of the terms of such Protocol for purposes of this Condition 13(G).

Notwithstanding any other provisions in this Condition 13(G), in the event that the Calculation Agent decides to adhere to a Protocol, the Calculation Agent may adjust such terms of this Condition 13(G) as

it deems appropriate to reflect some or all of the relevant settlement, valuation and other provisions of the Protocol. Nothing in this Condition 13(G)(15) should be taken as requiring the Calculation Agent to follow the terms of the Protocol.

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 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 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 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 Final Terms).

Notwithstanding the foregoing, none of the Issuer, any of its Affiliates, the Calculation Agent or any of the Security 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 Final Terms, any such American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the last Exercise Business Day of the Exercise Period (the **Expiration Date**), shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any such American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Expiration Date and which is in the determination of the Calculation Agent "In-The-Money" shall be automatically exercised on the Expiration Date and the provisions of Condition 17(G) shall apply, provided the relevant Warrant is not a Definitive Warrant. The expressions **exercise**, **due exercise** and related expressions shall be construed to apply to any Warrants which are automatically exercised on the Expiration Date in accordance with this provision.

With respect to an American Style Warrant, the **Actual Exercise Date** means (a) 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 Principal Security Agent as provided in Condition 17(A), at or prior to 10.00 a.m. Brussels or Luxembourg time, as appropriate, or (b) if Automatic Exercise is specified in the applicable Final Terms and no Exercise Notice has been delivered in accordance with the preceding paragraph (a), 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 Principal Security Agent after 10.00

a.m. Brussels or Luxembourg time, as appropriate, on any Exercise Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the next Exercise Business Day, which Exercise Business Day shall be deemed to be the Actual Exercise Date, provided that any such Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Condition 17(A) at or prior to 10.00 a.m. Brussels or Luxembourg time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified in the applicable Final Terms, become void or (ii) if Automatic Exercise is specified in the applicable Final Terms, be automatically exercised on the Expiration Date as provided above.

In respect of Italian Listed Warrants, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Warrant by the delivery or the sending by authenticated swift message (confirmed in writing) of a duly completed Renouncement Notice, which shall be substantially in the form set out in the Agency Agreement and copies of which may be obtained from the specified office of the Security Agents and the registered office of the Issuer (a **Renouncement Notice**), to the relevant Clearing System, with a copy to the Principal Security Agent and the Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time. If a duly completed Renouncement Notice is delivered or sent in compliance with the above, the relevant Securityholder will not be entitled to receive any amounts payable by the Issuer in respect of the relevant Italian Listed Warrants and the Issuer shall have no further liabilities in respect of such amounts.

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 Principal Security Agent and shall be conclusive and binding on the Issuer, the Security 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 Principal Security 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 Principal Security Agent.

(ii) European Style Warrants

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

If Automatic Exercise is not specified in the applicable Final Terms, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time (as appropriate) on the Actual Exercise Date, shall become void.

If Automatic Exercise is specified in the applicable Final Terms, any such European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 17(A), at or prior to 10.00 a.m., Brussels or Luxembourg time, as the case may be, on the Actual Exercise Date and which is in the determination of the Calculation Agent "In-The-Money", shall be automatically exercised on the Actual Exercise Date and the provisions of Condition 17(G) shall apply, provided the relevant Warrant is not a Definitive Warrant. The expressions **exercise**, **due exercise** and related expressions shall be construed to apply to any Warrants which are automatically exercised on the Actual Exercise Date in accordance with this provision.

In respect of Italian Listed Warrants, prior to the Renouncement Notice Cut-off Time indicated in the relevant Final Terms, the Securityholder may renounce any Automatic Exercise of such Warrant by the delivery or the sending by authenticated swift message (confirmed in writing) of a duly completed

Renouncement Notice to the relevant Clearing System, with a copy to the Issuer and the Principal Security Agent, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time. If a duly completed Renouncement Notice is delivered or sent in compliance with the above, the relevant Security Holder will not be entitled to receive any amounts payable by the Issuer in respect of the relevant Italian Listed Warrants and the Issuer shall have no further liabilities in respect of such amounts.

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 Principal Security Agent and shall be conclusive and binding on the Issuer, the Security 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 Principal Security 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 Principal Security Agent.

(B) *Cash Settlement*

If the Warrants are Cash Settled Warrants, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit entitles its holder, upon due exercise in accordance with Condition 17(A) to receive from the Issuer on the Settlement Date the Cash Settlement Amount.

(C) *Physical Settlement*

If the Warrants are Physical Delivery Securities, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, entitles its holder, upon due exercise and subject as provided in Condition 4, to receive the Entitlement from the Issuer on the Settlement Date, subject to payment of the relevant Exercise Price, any Expenses and any other sums payable. The method of delivery of the Entitlement is set out in the applicable Final Terms.

Warrants or Units, as the case may be, exercised at the same time by the same Securityholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Warrants or Units, as the case may be, provided that the aggregate Entitlements in respect of the same Securityholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and a cash adjustment amount calculated by the Calculation Agent will be paid in lieu of such fractions of the Relevant Asset. Any such cash adjustment amount will be paid to the account specified in the relevant Exercise Notice.

Following exercise of a Share Security which is a Physical Delivery Warrant, all dividends on the Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Shares, all as determined by the Calculation Agent. Any such dividends to be paid to a Securityholder will be paid to the account specified by the Securityholder in the relevant Exercise Notice as referred to in Condition 17(A)(v).

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 Principal Security 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 Security 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 Principal Security Agent.

- (1) 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 Principal Security 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 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 Final Terms; and
- (ix) 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 Security 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 Principal Security 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 Principal Security 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). Payments will be made only outside the United States and its possessions.

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 (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto (**FATCA**).

(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 Final Terms.

(E) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Principal Security Agent, and shall be conclusive and binding on the Issuer, the Security 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 Principal Security 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 Principal Security 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 Principal Security Agent (or, in the case of Definitive Warrants, to the satisfaction of the Issuer in consultation with the Principal Security 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 Principal Security Agent (or, in the case of Definitive Warrants, to the Issuer and copied to the Principal Security Agent).

If Automatic Exercise is not specified in the applicable Final Terms, any Warrants with respect to which the Exercise Notice has not been duly completed and delivered in the manner set out above by the cut-off time specified in Condition 16(A)(i), in the case of American Style Warrants, or Condition 16(A)(ii), in the case of European Style Warrants, shall become void.

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 Principal Security 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 Security 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 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. Payments will be made only outside the United States and its possessions. 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 (i) any fiscal or any other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA. 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 Security 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 Security 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 Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise

Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.

- (ii) If the 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 Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any exercise which purports to exercise Warrants in breach of this provision shall be void and of no effect.

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 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 Principal Security Agent and the Issuer, in compliance with the laws and regulation, including the regulations of the Italian Stock Exchange, applicable from time to time. If a duly completed Renouncement Notice is delivered or sent in compliance with the above, the relevant Security Holder will not be entitled to receive any amounts payable by the Issuer in respect of the relevant Italian Listed Certificates and the Issuer shall have no further liabilities in respect of such amounts.

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 Principal Security Agent and shall be conclusive and binding on the Issuer, the Security 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 Principal Security 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 Principal Security 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 Final Terms.

Unless otherwise specified in the applicable Final Terms, Certificates of the same Securityholder automatically exercised and in respect of which a Physical Delivery Confirmation Notice (as defined below) has been duly given as provided in Condition 20(A), will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Certificates, provided that the aggregate Entitlements in respect of the same Securityholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and a cash adjustment amount calculated by the Calculation Agent will be paid in lieu of such fractions of the Relevant Asset. Any such cash adjustment amount will be paid to the account specified in the relevant Exercise Notice.

Following exercise of a Share Security which is a Physical Delivery Certificate, all dividends on the relevant Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the Exercise Date and to be delivered in the same manner as such relevant Shares, all as determined by the Calculation Agent. Any such dividends to be paid to a Securityholder will be paid to the account specified by the Securityholder in the relevant Physical Delivery Confirmation Notice as referred to in Condition 20(A)(1)(v).

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 Principal Security 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 Security 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 Principal Security 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 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 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 Security 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 Principal Security 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 Principal Security 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 (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA.

(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 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 Principal Security Agent, and shall be conclusive and binding on the Issuer, the Security 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 Principal Security 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 Principal Security 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 Principal Security Agent (or, in the case of Definitive Certificates, to the satisfaction of the Issuer in consultation with the Principal Security 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 Principal Security Agent (or, in the case of Definitive Certificates, to the Issuer and copied to the Principal Security 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 Principal Security 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 Security 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. Payments will be made only outside the United States and its possessions. 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 (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA. 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 Security 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 Security 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 Final Terms, each Certificate pays remuneration from and including the Issue Date 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, which shall be determined in the manner specified in the applicable Final Terms (including in the case of Certificates which are Dual Currency Securities).

If remuneration is required to be calculated for a period ending other than on (but excluding) an Remuneration Payment Date, it will be calculated as specified in the applicable Final Terms.

(B) *Accrual of Remuneration*

Each Certificate will cease to accrue remuneration from and including the Settlement Date or, if earlier, the date on which the Certificates are cancelled (the **Cancellation Date**), 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, provided that, if the Securities are Credit Securities and if:

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

(B) **Accrual of Remuneration upon Credit Event** is specified as being Applicable in the applicable Final Terms, each Credit Certificate shall cease to bear remuneration from the Event Determination Date.

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. Payments will be made only outside the United States and its possessions.

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 (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA.

(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:

"Y₁" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D₁" is the first calendar day, expressed as a number, of the Remuneration Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₁ is greater than 29, in which case D₂ 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:

"Y₁" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D₁" is the first calendar day, expressed as a number, of the Remuneration Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₂ 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:

"Y₁" is the year, expressed as a number, in which the first day of the Remuneration Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Remuneration Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Remuneration Period falls;

"D₁" 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 D₁ will be 30; and

"D₂" 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 D₂ will be 30.

"Actual/360" means the actual number of days in the Remuneration Period divided by 360.

"Actual/Actual (ISDA)" means the actual number of days in the Remuneration Period 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 divided by 365.

"Remuneration Amount" means, in respect of each Certificate and each Remuneration Period, the amount specified as such in the applicable Final Terms or determined by the Calculation Agent in the manner specified in the applicable Final Terms.

"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.

ANNEX TO THE TERMS AND CONDITIONS

Definitions applicable to Credit Securities

Accreted Amount means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent in its sole and absolute discretion) only if "Include Accrued Interest" is specified as applicable in the applicable Final Terms. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

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

Additional EDD Remuneration Amount means an amount in the Specified Currency determined by the Calculation Agent in respect of each Credit Security equal to the sum of:

- (a) each amount of remuneration that would have been payable per Credit Security, but for the operation of Condition 21(B) and the original determination of the Event Determination Date, on each Remuneration Payment Date falling after the date originally determined to be the Event Determination Date, to and including the Remuneration Recommencement Date; and
- (b) remuneration on each such amount of remuneration, determined by the Calculation Agent using:
 - (i) a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the Remuneration Payment Date on which the relevant Remuneration Amount would have been paid but for the operation of Condition 21(B) and the original determination of the Event Determination Date to but excluding the Interest Recommencement Date; and
 - (ii) the number of days in the period from and including the Remuneration Payment Date on which the relevant amount of interest would have been paid but for the operation

of Condition 21(B) and the original determination of the Event Determination Date to but excluding the Remuneration Recommencement Date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

Applicable Auction means an Auction which the Calculation Agent determines is relevant to a Credit Event with respect to a Reference Entity and Obligations thereof and which relates to deliverable obligations which would constitute Reference Obligation(s) under the Credit Securities (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity, obligations and deliverable obligations to which the Auction relates and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Credit Securities).

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 Credit Securities (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity and obligation(s) and deliverable obligations which are the subject of the relevant Credit Derivatives Auction Settlement Terms and the Credit Events, Reference Entities and Obligations under the Credit Securities and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Credit Securities). 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 Securityholders at the specified office of the Agent.

Applicable Request means a request that a Credit Derivatives Determinations Committee be convened to Resolve the matters described in the definition of Credit Event Resolution Request Date, which the Calculation Agent determines is relevant to the Credit Securities (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the request and the Credit Events, Reference Entities and Obligations thereof under the Credit Securities and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Credit Securities).

Applicable Resolution means a Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Credit Securities (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof and any other factor to which the Resolution relates and the terms of the Credit Securities and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Credit Securities).

Auction means, with respect to a Reference Entity and a Credit Event, an auction pursuant to which an Auction Final Price is to be determined in accordance with an auction procedure set out in the relevant Credit Derivatives Auction Settlement Terms.

Auction Cancellation Date means, with respect to an Auction, the date on which such Auction was deemed to have been cancelled as announced by ISDA (and/or the administrators specified in the relevant Credit Derivatives Auction Settlement Terms) on its website or such other date as determined and announced in accordance with the relevant Credit Derivatives Auction Settlement Terms.

Auction Credit Event Settlement Amount means the amount specified as such in the applicable Final Terms.

Auction Credit Event Settlement Date means, the Business Day following the Auction Settlement Date determined in accordance with the Applicable Credit Derivatives Auction Settlement Terms or such other date specified in the applicable Final Terms, as determined by the Calculation Agent.

Auction Final Price means, with respect to an Auction, the price (expressed as a percentage) in respect of the deliverable obligations which would constitute Reference Obligation(s) under the Credit Securities determined to be the Auction Final Price in accordance with the relevant Credit Derivatives Auction Settlement Terms. The Calculation Agent shall as soon as practicable after publication of the Auction Final Price in respect of an Applicable Auction, make available for inspection by Securityholders at the specified office of the Agent a copy of the relevant Applicable Credit Derivatives Auction Settlement Terms and copies of the relevant publication of the Auction Final Price.

Auction Final Price Determination Date means with respect to an Auction, the day, if any, on which the Auction Final Price is determined as specified in the applicable Final Terms.

Auction Settlement Date has the meaning given to it in the relevant Credit Derivatives Auction Settlement Terms.

Bankruptcy means a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof;
- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or

- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

Best Available Information means:

- (a) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (b) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor".

Information which is made available more than fourteen calendar days after the legally effective date of the Succession Event shall not constitute "Best Available Information".

Conditions to Settlement means such conditions as may be set out in the applicable Final Terms, provided that all Conditions to Settlement shall be deemed to be satisfied by the occurrence of an Event Determination Date to the extent that such Event Determination Date is not subsequently reversed prior to the Auction Final Price Determination Date in respect of an Applicable Auction, a Valuation Date, the Exercise Date in the case of Credit Certificates or European Style Credit Warrants or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date or such other date as may be specified in the applicable Final Terms, as applicable. For the avoidance of doubt, if an Event Determination Date is subsequently reversed, the Conditions to Settlement shall not be deemed to have been satisfied in respect of that Event Determination Date for the purposes of Condition 13(G).

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 Certificate means Certificates linked to the credit of a specified entity or entities;

Credit Derivatives Auction Settlement Terms means, with respect to a Reference Entity and a Credit Event, the Credit Derivatives Auction Settlement Terms published by ISDA in accordance with the Rules with respect to such Reference Entity and Credit Event, as amended in accordance with the Rules from time to time.

Credit Derivatives Determinations Committees means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

Credit Event means the occurrence of any one or more of the Credit Events specified in the applicable Final Terms which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation

Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified in the applicable Final Terms, as determined by the Calculation Agent.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

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

Credit Event Backstop Date means:

- (a) if Credit Event Backstop Date is specified as "Applicable" in the applicable Final Terms, the date determined by the Calculation Agent:
 - (i) for the purposes of any DC Resolution by the relevant Credit Derivatives Determinations Committee as to whether an event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in sub-paragraph (ii) of the definition thereof) has occurred with respect to the relevant Reference Entity or Obligation thereof, the date that is 60 calendar days prior to the Credit Event Resolution Request Date, provided that the Calculation Agent determines that the DC Resolution is an Applicable Resolution and the Credit Event Resolution Request Date relates to an Applicable Request; or
 - (ii) the date that is 60 calendar days prior to the earlier of:
 - (A) the first date on which the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during the Notice Delivery Period; and
 - (B) in circumstances where (A) 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, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, provided that such Resolution is an Applicable Resolution and (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective not more than fourteen calendar days after the day on which ISDA

publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date; or

- (b) if Credit Event Backstop Date is specified as "Not Applicable" in the applicable Final Terms, the Credit Event Backstop Date shall be deemed to be the Business Day following the Trade Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

Credit Event Notice means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred on or after the applicable Credit Event Backstop Date and on or prior to the Extension Date. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in Condition 13(G)(14).

Credit Event Cash Settlement Amount means the amount specified as such in the applicable Final Terms.

Credit Event Settlement Date means the date specified as such in the applicable Final Terms or, if no such date is specified in the applicable Final Terms, the day falling the number of Business Days specified in the applicable Final Terms after the calculation of the Final Price or if Cash Settlement is applicable pursuant to the Fallback Settlement Method in accordance with Condition 13(G)(2), following any Auction Cancellation Date or No Auction Announcement Date in respect of the relevant Applicable Auction, if later.

Credit Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the 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 Warrant means Warrants linked to the credit of a specified entity or entities;

DC Resolution has the meaning given to that term in the definition of Resolve below.

Default Requirement means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified in the applicable Final Terms, U.S.\$10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

Deliver means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the applicable obligation free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of "Credit Event" above or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor) provided that if all or a portion consists of Direct Loan Participations, **Deliver** means to create (or procure the creation) of a participation in favour of and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, **Deliver** means to Deliver both the Qualifying Guarantee and the Underlying Obligation. **Delivery** and **Delivered** will be construed accordingly.

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

Domestic Currency means the currency specified as such in the applicable Final Terms and any successor currency. If no currency is specified in the applicable Final Terms, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

Downstream Affiliate means an entity, whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity. **Voting Shares** shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

EDD Adjustment Amount means, means an amount in the Specified Currency determined by the Calculation Agent in respect of each Calculation Amount equal to the sum of:

- (a) each amount of interest per Calculation Amount that would not have been paid (if any) on any Remuneration Payment Date to Securityholders had the earlier Event Determination Date been the date originally determined as the Event Determination Date; and
- (b) interest on each such amount determined by the Calculation Agent using:
 - (i) a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the Remuneration Payment Date on which the relevant interest amount was paid to but excluding the date on which the Credit Certificates are settled; and
 - (ii) the number of days in the period from and including the Remuneration Payment Date on which the relevant interest amount was paid to but excluding the date on which the Credit Certificates are settled divided by 360 (the number of days to be calculated

on the basis of a year of 360 days with 12 30 day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

Equity Securities means:

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

Event Determination Date means:

- (a) subject to sub-paragraph (b) of this definition, the first date on which the Calculation Agent determines that both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during:
 - (i) the Notice Delivery Period; or
 - (ii) the period from, and including, the day on which ISDA publicly announces that either:
 - (A) the relevant Credit Derivatives Determinations Committee has Resolved the matters described in ((d)) of the definition of Event Determination Date Conditions (with such provision interpreted for the purposes of this definition as if the words "other than Restructuring" did not appear therein) and the Calculation Agent determines such Resolution is an Applicable Resolution; or
 - (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in ((a)) and ((b)) of the definition of Credit Event Resolution Request Date,in either case relating to a Credit Event Resolution Request Date in respect of an Applicable Request that occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) to, and including, the date that is 14 calendar days thereafter; or
- (b) notwithstanding sub-paragraph (i) of this definition, the relevant Credit Event Resolution Request Date in respect of the relevant Applicable Request as determined by the Calculation Agent, if:
 - (i) each of the Event Determination Date Conditions is satisfied; or

(ii) if "Additional Event Determination Date Definitions" is specified as Applicable in the applicable Final Terms:

- (A) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during the Notice Delivery Period and prior to the Auction Final Price Determination Date;
- (B) each of the Event Determination Date Conditions is satisfied; and
- (C) ISDA publicly announces (including prior to the Trade Date) that, as a result of the DC Resolution of the relevant Credit Derivatives Determinations Committee that an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof, the relevant Credit Derivatives Determinations Committee has resolved that an Auction will be held in accordance with the Credit Derivatives Auction Settlement Terms and the Calculation Agent determines that such Resolutions and Auction constitute Applicable Resolutions and an Applicable Auction,

provided that, in the case of this sub-paragraph (ii):

- (1) no Settlement Date has occurred on or prior to the date on which each of the Event Determination Date Conditions is satisfied; and
- (2) no Event Determination Date has already been determined under sub-paragraph (i) in circumstances where Restructuring is the only Credit Event specified in a Credit Event Notice delivered by the Calculation Agent.

Event Determination Date Conditions means, the Calculation Agent determines that the following conditions have been satisfied:

- (a) "Auction Settlement" is specified as the Settlement Method in the applicable Final Terms;
- (b) the Trade Date occurs on or prior to the Auction Final Price Determination Date, No Auction Announcement Date or Auction Cancellation Date in respect of the relevant Applicable Auction, as applicable;
- (c) the Credit Event Resolution Request Date relating to an Applicable Request occurs on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date); and
- (d) ISDA publicly announces (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event, other than a Restructuring, has occurred with respect to the relevant Reference Entity or Obligation thereof and that such event has occurred on or after the applicable Credit Event Backstop Date and on or prior to the relevant Extension Date and such Resolution is an Applicable Resolution.

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

Excluded Obligation means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

Extension Date means the latest of:

- (a) in the case of Credit Certificates or European Style Credit Warrants, the Exercise Date, in the case of American Style Credit Warrants, the Expiration Date or such other date as is specified in the applicable Final Terms;
- (b) the Grace Period Extension Date if (a) Grace Period Extension is specified as applicable in the applicable Final Terms, (b) the Credit Event that is the subject of the Credit Event Notice or Credit Event Resolution Request Date in respect of an Applicable Request, as applicable, is a Failure to Pay that occurs after the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date and (c) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date; and
- (c) the Repudiation/Moratorium Evaluation Date if (a) Repudiation/Moratorium is specified as applicable in the applicable Final Terms, (b) the Credit Event that is the subject of the Credit Event Notice or Credit Event Resolution Request Date in respect of an Applicable Request, as applicable, is a Repudiation/Moratorium for which the event described in sub paragraph (b) of the definition of Credit Event Resolution Request Date occurs after the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date, (c) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date and (d) the Repudiation/Moratorium Extension Condition is satisfied.

Failure to Pay means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

Fallback Settlement Method means, with respect to Credit Securities for which "Auction Settlement" is specified as the Settlement Method in the applicable Final Terms, the Fallback Settlement Method specified in such Final Terms.

Final Price means the price of the Reference Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Final Terms. The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Securityholders at the specified office of the Agent and, for so long as the Credit Securities are listed on the Luxembourg Stock Exchange at the office of the Paying Agent in Luxembourg (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

Full Quotation means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

Governmental Authority means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

Grace Period means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred;
- (b) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date and the applicable grace period cannot, by its terms, expire on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, thirty calendar days; and
- (c) if as at the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the in the case of Credit Certificates or European Style Credit Warrants, the Exercise Date, in the case of American style Credit Warrants, the Expiration Date.

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

Grace Period Extension Date means, if:

- (a) Grace Period Extension is specified as applying in the applicable Final Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date,

the day that is five Business Days following the day falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

ISDA means the International Swaps and Derivatives Association, Inc. or any successor thereto as determined by the Calculation Agent.

Market Value means, with respect to a Reference Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one

such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);

- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighed Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date, the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

Merger Event means that at any time during the period from (and including) the Trade Date to (but excluding) the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Issuer, as applicable, or the Issuer and a Reference Entity become Affiliates.

Minimum Quotation Amount means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) U.S.\$1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

No Auction Announcement Date means, with respect to Credit Securities for which Auction Settlement is specified as the Settlement Method in the applicable Final Terms, a Reference Entity and a Credit Event, the date on which the Calculation Agent determines that ISDA first publicly announces that:

- (a) no Credit Derivatives Auction Settlement Terms will be published with respect to such Reference Entity and Credit Event; or
- (b) Credit Derivatives Auction Settlement Terms will be published with respect to such Reference Entity and Credit Event and the Calculation Agent determines that such terms will not constitute Applicable Credit Derivatives Auction Settlement Terms; or
- (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held with respect to such Reference Entity and Credit Event such that the Calculation Agent determines that no Applicable Auction will be held following an Applicable Resolution and prior public announcement by ISDA to the contrary.

Notice Delivery Period means the period from and including the Trade Date to and including the second Business Day after the Notice Delivery Period End Date.

Notice Delivery Period End Date means the date that is fourteen calendar days after the Extension Date.

Notice of Publicly Available Information means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email and/or by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applying in the applicable Final Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 13(G)(14).

Obligation means:

- (a) any obligation of a Reference Entity (either directly, as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below (but excluding any Excluded Obligation);
- (b) each Reference Obligation specified in the applicable Final Terms, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such in the applicable Final Terms.

Method for Determining Obligations. For the purposes of paragraph (a) of the definition of "Obligation", the term "Obligation" may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the applicable Final Terms, and having each of the Obligation Characteristics (if any) specified in the applicable Final Terms, in each case, as of the date of the event which constitutes the Credit Event which either is the subject of the Credit Event Notice or as of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (a) **Obligation Category** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms, where:
 - (i) **Payment** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (ii) **Borrowed Money** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall

include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);

- (iii) **Reference Obligations Only** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (iv) **Bond** means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (v) **Loan** means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
 - (vi) **Bond or Loan** means any obligation that is either a Bond or a Loan.
- (b) **Obligation Characteristics** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the applicable Final Terms, where:
- (i) (A) **Not Subordinated** means an obligation that is not Subordinated to (I) the most senior Reference Obligation in priority of payment or, (II) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the Reference Entity provided that, if any of the events set forth under sub paragraph (a) of the definition of Substitute Reference Obligation below has occurred with respect to all of the Reference Obligations or if with respect to the Reference Obligation one or more Successors to the Reference Entity have been identified and any one or more such Successors have not assumed the Reference Obligation (each, in each case, a **Prior Reference Obligation**) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic, 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, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;
 - (B) **Subordination** means, with respect to an obligation (the **Subordinated Obligation**) and another obligation of the Reference Entity to which such obligation is being compared (the **Senior Obligation**), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the

Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "Subordinated" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

- (ii) **Specified Currency** means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is specified in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the applicable Final Terms as the **Standard Specified Currencies**);
- (iii) **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";
- (iv) **Not Domestic Currency** means any obligation that is payable in any currency other than the Domestic Currency;
- (v) **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;
- (vi) **Listed** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (vii) **Not Domestic Issuance** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

Obligation Acceleration means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

Obligation Currency means the currency or currencies in which the Obligation is denominated.

Obligation Default means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of

default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

Observation Cut-Off Date means the later of (i) the last day of the Notice Delivery Period and (ii) the last day of the period described in subparagraph (a)(ii) of the definition of Event Determination Date.

Outstanding Principal Balance means:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof; and
- (b) with respect to any other obligation, the outstanding principal balance of such obligation,

provided that with respect to any Exchangeable Obligation that is not an Accreting Obligation, "Outstanding Principal Balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

Payment Requirement means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the applicable Final Terms, U.S.\$1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

Permitted Currency means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development (the **OECD**) and has a local currency long term debt rating assigned to it by an internationally recognised credit rating agency which is at least equal to the highest long term debt rating assigned to any OECD nation by such credit rating agency at that time.

Potential Failure to Pay means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

Potential Repudiation/Moratorium means the occurrence of an event described in paragraph (a) of the definition of Repudiation/Moratorium.

Publicly Available Information means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
 - (i) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation;
 - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or

- (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation; or
 - (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; or
 - (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.
- (b) In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to such Obligation.
- (c) In relation to any information of the type described in paragraphs (a)(ii), (iii) and (iv) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to third parties.
- (d) Publicly Available Information need not state:
- (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
 - (ii) that such occurrence:
 - (A) has met the Payment Requirement or Default Requirement;
 - (B) is the result of exceeding any applicable Grace Period; or
 - (C) has met the subjective criteria specified in certain Credit Events.

Public Source means each source of Publicly Available Information specified as such in the applicable Final Terms (or if a source is not specified in the applicable Final Terms, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

Qualifying Affiliate Guarantee means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

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

or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced, assigned or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

Quotation means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (b)
 - (i) if "Include Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
 - (ii) if "Exclude Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
 - (iii) if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

Quotation Amount means the amount specified as such in the applicable Final Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Final Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

Quotation Dealer means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained, other than Banca IMI S.p.A., including each Quotation Dealer specified in the applicable Final Terms. If no Quotation Dealers are specified in the applicable Final Terms, the

Calculation Agent shall select the Quotation Dealers in its sole and absolute discretion. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

Quotation Method means the applicable Quotation Method specified in the applicable Final Terms by reference to one of the following terms:

- (a) **Bid** means that only bid quotations shall be requested from Quotation Dealers;
- (b) **Offer** means that only offer quotations shall be requested from Quotation Dealers; or
- (c) **Mid-market** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the applicable Final Terms, Bid shall apply.

Reference Entity means the entity or entities specified as such in the applicable Final Terms. Any Successor to a Reference Entity either (a) identified by the Calculation Agent pursuant to the definition of "Successor" below on or following the Trade Date or (b) identified by the Calculation Agent by reference to a public announcement by ISDA on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules, shall, in each case, be the Reference Entity for the purposes of the relevant Series.

Reference Obligation means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described) and any Substitute Reference Obligation.

Relevant Obligations means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

Representative Amount means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

Repudiation/Moratorium means the occurrence of both of the following events:

- (a) an authorised officer of a Reference Entity or a Governmental Authority:
 - (i) 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
 - (ii) 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

- (b) 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 Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date, (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date unless the Repudiation/Moratorium Extension Condition is satisfied.

Repudiation/Moratorium Extension Condition is satisfied if:

- (a) 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 Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration 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 Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date and such Resolution constitutes an Applicable Resolution; or
- (b) by delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, a Notice of Publicly Available Information, each of which is effective on or prior to the date that is fourteen calendar days after the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration 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 Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium for purposes of the relevant Credit Derivative Transaction has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date.

Sub-paragraph (a) and the immediately preceding paragraph of this definition shall not apply unless the Calculation Agent determines that the relevant Resolution referred to therein constitutes an Applicable Resolution.

Repudiation/Moratorium Extension Notice means an irrevocable notice (which may be in writing (including by facsimile and/or email) and/or by telephone) from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

Resolve, Resolved, Resolves and **Resolving** means, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the relevant Rules (and each such determination, a **DC Resolution**).

Restructured Bond or Loan means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

Restructuring means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of the Obligation to bind all the holders of such Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date with respect to the relevant Credit Derivative Transaction and (ii) the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (b) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (c) 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;
- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (i) the payment in euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the occurrence of, agreement to or announcement of any of the events described in (a) to (e) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

- (iii) the occurrence of, agreement to or announcement of any of the events described in (a) to (e) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Condition 13(G)(11), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the initial paragraph and sub-paragraphs (a) to (e) of the definition of Restructuring shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

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

Restructuring Maturity Limitation Date means the date that is the earlier of (x) thirty months following the Restructuring Date and (y) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date or later than thirty months following the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date and if it is, it shall be deemed to be the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date or thirty months following the Exercise Date in the case of Credit Certificates or European Style Credit Warrants, or, as appropriate, in the case of American Style Credit Warrants, the Expiration Date, as the case may be.

Rules means, with respect to a Credit Derivatives Determinations Committee, the Credit Derivatives Determinations Committees Rules published by ISDA, as amended from time to time in accordance with the terms thereof.

Settlement Currency means the currency specified as such in the applicable Final Terms, or if no currency is specified in the applicable Final Terms, the Specified Currency of the Credit Securities.

Settlement Date means the later to occur of the Settlement Date (as defined in Condition 3), the Credit Event Settlement Date, the Auction Credit Event Settlement Date and, if applicable, the Repudiation/Moratorium Evaluation Date, the Postponed Settlement Date and the Grace Period Extension Date.

Settlement Method means Cash Settlement or Auction Settlement, as specified in the applicable Final Terms.

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

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

Specified Number means the number of Public Source(s) specified in the applicable Final Terms, or if no number is specified in the applicable Final Terms, two.

Substitute Reference Obligation means one or more obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that:
 - (i) a Reference Obligation is redeemed in whole; or
 - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity,

the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.

- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (1) ranks *pari passu* (or, if no such Obligation exists, then, at the Issuer's option, an Obligation that ranks senior) in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the later of (A) the Trade Date and (B) the date on which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such later date), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (3) is an obligation of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.
- (c) If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If:

- (i) more than one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all of the Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations; or
- (ii) only one specific Reference Obligation is identified as a Reference Obligation in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation,

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the until the Extension Date.

- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

Succession Event means (i) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, de-merger, consolidation, amalgamation, transfer of assets or liabilities, spin off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (ii) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, "Succession Event" shall not include an event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the applicable Succession Event Backstop Date.

Succession Event Backstop Date means:

- (a) if Succession Event Backstop Date is specified as "Applicable" in the applicable Final Terms, the date determined by the Calculation Agent:
 - (i) for purposes of any DC Resolution of the relevant Credit Derivatives Determinations Committee with respect to whether or not a Succession Event has occurred, the date that is 90 calendar days prior to the relevant Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time); or
 - (ii) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Succession Event Notice is effective and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date; or

- (iii) if Succession Event Backstop Date is specified as "Not Applicable" in the applicable Final Terms, the Succession Event Backstop Date shall be deemed to be the Business Day following the Trade Date.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

Succession Event Notice means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer that describes a Succession Event that occurred on or after the relevant Succession Event Backstop Date.

Succession Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event for purposes of the relevant Credit Derivative Transaction has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (A) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (B) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

Successor means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
 - (i) if one entity directly or indirectly succeeds to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
 - (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
 - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;
 - (iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the

Reference Entity will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;

- (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
 - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and
- (b) in relation to a Sovereign Reference Entity, each entity which becomes a direct or indirect successor to such Reference Entity by way of Succession Event, irrespective of whether any such successor assumes any of the obligations of such Reference Entity.

In the case of (a) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the relevant Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in this definition and sub-paragraphs (a) and (b)(A) of the definition of Succession Event Resolution Request are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred and the Calculation Agent determines that such Resolution is an Applicable Resolution. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Securityholder(s) at the specified office of the Agent and, for so long as the Credit Securities are listed on the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg.

Where pursuant to this definition and/or any Applicable Resolution relating to a succession Event Resolution Request, more than one Successor has been identified, the Calculation Agent shall adjust such of the Terms and Conditions and/or the applicable Final Terms as it in its sole and absolute discretion acting in a commercially reasonable manner shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of the Terms and Conditions and/or the applicable Final Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative

transaction(s) related to or underlying the Credit Securities under the provisions of the 2003 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Securityholders in accordance with Condition 8, stating the adjustment to the Terms and Conditions and/or the applicable Final Terms and giving brief details of the relevant Succession Event.

In the case of (b) above, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the date of the occurrence of the relevant Succession Event), and with effect from the date of the occurrence of the Succession Event, each Sovereign and/or entity, if any, that qualifies under paragraph (b) above; provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub paragraphs (a) and (b)(A) of the definition of Succession Event Resolution Request are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred and the Calculation Agent determines that such Resolution is an Applicable Resolution.

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

Where:

- (A) a Reference Obligation is specified in the applicable Final Terms; and
- (B) one or more Successors to the Reference Entity have been identified; and
- (C) any one or more such Successors have not assumed the Reference Obligation, a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" above.

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

Suspension Event means the Calculation Agent determines that a public announcement has been made by ISDA that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (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 Credit Securities.

Suspension Event Cessation Date means, with respect to a Suspension Event, the date on which the Calculation Agent determines that ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (i) the matters described in the definition of Suspension Event or (ii) not to determine such matters.

TARGET Settlement Day means any day on which the TARGET System is open for the settlement of payments in euro.

Trade Date means the date specified as such in the applicable Final Terms.

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

Valuation Date means where Cash Settlement is specified as applying in the applicable Final Terms, if "Single Valuation Date" is specified in the applicable Final Terms, subject to Condition 13(G)(3) the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with Condition 13(G)(2), any Auction Cancellation Date or any No Auction Announcement Date, if later), and if "Multiple Valuation Dates" is specified in the applicable Final Terms, subject to Condition 13(G)(3), each of the following dates:

- (a) the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with Condition 13(G)(2), any Auction Cancellation Date or No Auction Announcement Date, if later); and
- (b) each successive date that is the number of Business Days specified in the applicable Final Terms (or if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the applicable Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

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

Valuation Method:

- (a) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and only one Valuation Date:
 - (i) **Market** means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
 - (ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Highest.

- (b) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and more than one Valuation Date:
- (i) **Average Market** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
 - (ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
 - (iii) **Average Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Highest.

- (c) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and only one Valuation Date:
- (i) **Blended Market** means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or
 - (ii) **Blended Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Blended Highest.

- (d) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and more than one Valuation Date:
- (i) **Average Blended Market** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or
 - (ii) **Average Blended Highest** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

Valuation Time means the time specified as such in the applicable Final Terms or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

Weighted Average Quotation means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount (but, if a Minimum Quotation Amount is specified in the applicable Final Terms, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from each issue of Securities for general corporate purposes, including making a profit. A substantial portion of the proceeds may be used to hedge market risks with respect to the Securities. If in respect of any particular issue of Securities, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

History of the Issuer

The Issuer is a banking institution established under Italian law. It is the result of a number of reorganisations, which have resulted in:

- (i) the merger of the securities companies which operated under the names of Caboto Sim – Società di Intermediazione Mobiliare S.p.A. and Caboto Società di Intermediazione Mobiliare S.p.A. within the former Banca Intesa banking group into Banca Primavera S.p.A., a bank duly authorised by the Bank of Italy, which then changed its corporate name into Banca Caboto S.p.A., effective from 1 January 2004. Banca Caboto S.p.A. was then as resulting entity the investment bank of the former Banca Intesa banking group; and
- (ii) the merger of Banca d'Intermediazione Mobiliare IMI S.p.A., the investment bank of the former Sanpaolo IMI banking group, into Banca Caboto S.p.A., which then changed its corporate name into Banca IMI S.p.A., effective from 1 October 2007.

The merger by incorporation referred to at paragraph (ii) above was part of a broader rationalisation of the business and companies belonging to the former Banca Intesa and Sanpaolo IMI banking groups upon merger of the two banking group in the Intesa Sanpaolo banking group effective 1 January 2007.

The Intesa Sanpaolo Group is the result of the merger effective 1 January 2007 of Sanpaolo IMI S.p.A. with Banca Intesa S.p.A. The former Banca Intesa banking group, prior to the merger, was also the result of a series of mergers, having been brought into existence in 1998 by the merger of Cariplo and Ambroveneto, followed in 1999 by the public exchange offer for 70 per cent. of Banca Commerciale Italiana, which was merged by incorporation in 2001. The former Sanpaolo IMI group was the result of the merger of Istituto Bancario San Paolo di Torino and Istituto Mobiliare Italiano in 1998, and of the subsequent integration of Banco di Napoli, in 2000 and of Gruppo Cardine, in 2002.

On 29 July 2009 Banca IMI S.p.A.'s extraordinary shareholders' meeting resolved in favour of a capital increase of Euro 750 million, including any premium price, which capital increase was subscribed by the sole shareholder Intesa Sanpaolo S.p.a. by contributing the *Investment Banking* business division to Banca IMI, thereby completing the integration of Banca Caboto and Banca IMI.

Legal and Commercial Name of the Issuer

The legal and commercial name of the Issuer is Banca IMI S.p.A., or in short form IMI S.p.A.

Place of Registration and Registration Number of the Issuer

The Issuer is registered with the Companies' Register of Milan under No. 04377700150. The Issuer is also registered with the Register of Banks held by the Bank of Italy under No. 5570 and is part of the Intesa Sanpaolo Banking Group, which is registered with the Register of Banking Groups (*Albo dei Gruppi Bancari*) and a member of the Interbank Deposit Protection Fund (*Fondo Interbancario di Tutela dei Depositi*).

Date of Establishment and Duration of the Issuer

The Issuer was established on 29 March 1979 by a notarial deed of the Notary public Landoaldo de Mojana. The duration of the Issuer is until 31 December 2100 and may be extended by an extraordinary resolution of the shareholders' meeting, passed with the quorum provided for by law.

Legal Status, Registered office and Share Capital of the Issuer

The Issuer is an Italian bank established as a company limited by shares (*società per azioni*). The Issuer is incorporated and carries out its business under Italian law. The Courts of Milan have jurisdiction in respect of

any disputes. The Issuer, both as a bank and as a member of the Intesa Sanpaolo banking group, is subject to the Bank of Italy's prudential supervision. The Issuer is a company belonging to the Intesa Sanpaolo Group, of which Intesa Sanpaolo S.p.A. is the parent company, and is subject to the management and co-ordination of its sole shareholder, Intesa Sanpaolo S.p.A.

The registered and administrative office of the Issuer is in Largo Mattioli, 3 20121 Milan and the telephone number is +39 02 72611. The Issuer has offices in Rome, at Via del Corso 226, 00186 Rome, and a branch in London, at 90 Queen Street, London EC4N 1SA, United Kingdom.

At 31 December 2011, the Issuer's issued and paid-up share capital amounted to €962,464,000, divided into 962,464,000 ordinary shares. The shares are in registered form and undivided. Each ordinary share carries the right to one vote. Intesa Sanpaolo S.p.A. holds directly 100 per cent. of the fully subscribed and paid up share capital of the Issuer.

Independent Auditors

Reconta Ernst & Young S.p.A., with registered office at Via G.D. Romagnosi 18/A, 00196 Rome, enrolled with the Register of Auditors and with the Special Register kept by CONSOB acted as independent auditors for the annual and half-yearly non-consolidated financial statements of the Issuer for each financial year in the period 2007-2011. Reconta Ernst & Young S.p.A. also acted as independent auditors for the annual and half-yearly consolidated financial statements of the Issuer for each financial year in the period 2009-2011, starting from the consolidated financial statements for the financial year ending 31 December 2009 (which were the first annual consolidated financial statements prepared by the Issuer).

Reconta Ernst & Young S.p.A. has also performed a limited review on the consolidated and non consolidated half-yearly financial statements of the Issuer in accordance with CONSOB Regulation No. 10867 of 31 July 1997.

Reconta Ernst & Young S.p.A. is a member of *Assirevi-Associazione Nazionale Revisori Contabili*, the Italian association of auditing firms.

The Reconta Ernst & Young S.p.A.'s audit reports on the Issuer's unconsolidated financial statements for the financial years ending 31 December 2007, 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 and on the Issuer's consolidated financial statements for the financial years ending 31 December 2009, 31 December 2010 and 31 December 2011 were issued without qualification or reservation.

The Reconta Ernst & Young S.p.A.'s limited review reports on the Issuer's unconsolidated half-yearly financial statements for the six months ending 30 June 2008 and 30 June 2009, which were the last unconsolidated half-yearly financial statements prepared by the Issuer, and on the Issuer's consolidated half-yearly financial statements for the for the six months ending 30 June 2010 (which were the first consolidated half-yearly financial statements prepared by the Issuer) and 30 June 2011 were issued without qualification or reservation.

The Issuer's shareholders' general meeting held on 20 December 2011 resolved to appoint KPMG S.p.A., with registered office at Via V. Pisani, 25, 20121 Milan, enrolled with the Register of Auditors and with the Special Register kept by CONSOB, as independent auditors of the Issuer for the annual and half-yearly non-consolidated and consolidated financial statements of the Issuer for each financial year in the nine year period 2012-2020. KPMG S.p.A. is a member of *Assirevi-Associazione Nazionale Revisori Contabili*, the Italian association of auditing firms.

OVERVIEW OF ACTIVITIES

Description of the Issuer's main activities

The Issuer is the investment banking arm and securities firm of Gruppo Intesa Sanpaolo and it offers a wide range of capital markets, investment banking and special lending services to a diversified client base including banks, companies, institutional investors, entities and public bodies.

The Issuer's business is divided into four business divisions: *Capital Markets*, *Investment Banking*, *Structured Finance* and *Finance & Investments*.

The *Capital Markets* division operates as market maker for government bonds and leading Italian and European debt instruments and listed derivatives; it offers to clients the full range of trading and brokerage services in derivatives and cash instruments, specialised consultancy services for companies, banks and financial institutions in relation to the management of financial risks, assistance to banks and financial institutions in relation to the structuring of investment products targeted to retail customers, equity financing securities lending and prime brokerage services and financial products placement.

The *Finance & Investments* division operates funding and treasury activities, as well as investment and proprietary portfolio management activities.

The *Structured Finance* division provides to corporate borrowers leveraged and acquisition finance lending services, project finance lending (both in the domestic and in the international market), tailor-made structured finance, securitisation services, special financing services, market risk management through syndication, market placement of syndicated transactions, real estate financial advisory and real estate structured financings.

The *Investment Banking* division provides placing and arranging services for equity, debt instruments and hybrid instruments as well as consultancy and advisory services in respect of merger, acquisition, divestment and restructuring transactions.

The Issuer is mainly active in the Italian financial market and, to a lesser extent, in European Union and U.S. markets.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

The Issuer's Board of Directors is composed, pursuant to the by-laws of the Issuer, of a minimum of seven and a maximum of eleven members appointed by the shareholders of Banca IMI S.p.A.

The current Board of Directors of Banca IMI S.p.A. is composed of eleven members.

The following table specifies the name, position and the main activities carried out outside the Issuer (if relevant with regard to the Issuer) of the members of the Board of Directors:

NAME AND POSITION	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
Emilio Ottolenghi Chairman	– Member of the Management Board of Parent Company Intesa Sanpaolo S.p.A.
	– Operator in the oil sector
Giangiacomo Nardozzi Tonielli Deputy Chairman	– Professor of Economics at the Politecnico di Milano
Gaetano Miccichè	– General Manager of Intesa Sanpaolo S.p.A.
Managing Director and Chief Executive Officer	– Member of the Board of Directors of Telecom Italia S.p.A.

NAME AND POSITION	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
Massimo Mattera Board Member	<ul style="list-style-type: none"> <li data-bbox="810 365 1407 427">– Member of the Board of Directors of Alitalia – Compagnia Aerea Italiana S.p.A. <li data-bbox="810 465 1407 528">– Member of the Board of Directors of Nuovo Trasporto Viaggiatori S.p.A. <li data-bbox="810 566 1407 658">– Board Member and Member of the Executive Committee of Cassa di Risparmio di Civitavecchia S.p.A. <li data-bbox="810 696 1407 763">– Member of the Board of Directors of Risanamento S.p.A.
Vincenzo De Stasio Board Member	<ul style="list-style-type: none"> <li data-bbox="810 801 1407 896">– Member of the Board of Directors of BIIS – Banca Infrastrutture Innovazione e Sviluppo S.p.A.
Giuliano Asperti Board Member	<ul style="list-style-type: none"> <li data-bbox="810 934 1407 996">– Member of the Board of Directors of Intesa Previdenza S.p.A. <li data-bbox="810 1070 1407 1133">– Member of the Board of Directors of Sorin S.p.A.
Lorenzo Caprio Board Member	<ul style="list-style-type: none"> <li data-bbox="810 1171 1407 1234">– Professor of Company Finance at the Catholic University of Sacro Cuore, Milan <li data-bbox="810 1308 1407 1335">– Member of the Board of Erg Renew S.p.A. <li data-bbox="810 1373 1407 1400">– Auditor of Banca ITB S.p.A. <li data-bbox="810 1438 1407 1464">– Auditor of the Aviva Italia Group
Stefano Del Punta Board Member	<ul style="list-style-type: none"> <li data-bbox="810 1505 1407 1568">– Head of Treasury of Parent Company Intesa Sanpaolo S.p.A. <li data-bbox="810 1641 1407 1704">– Member of the Board of Directors of MTS S.p.A.
Aureliano Benedetti Board Member	<ul style="list-style-type: none"> <li data-bbox="810 1742 1407 1769">– Chairman of Banca CR Firenze S.p.A. <li data-bbox="810 1807 1407 1868">– Member of the Board of Directors of Intesa Sanpaolo S.p.A.
Eugenio Rossetti	<ul style="list-style-type: none"> <li data-bbox="810 1973 1407 2036">– Chairman of Centrovita Assicurazioni S.p.A. <li data-bbox="810 1973 1407 2036">– Chief Lending Officer of Intesa Sanpaolo S.p.A.

NAME AND POSITION	PRINCIPAL ACTIVITIES PERFORMED OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
Board Member	– Member of the Board of Directors of Mediofactoring S.p.A.
Marco Morelli	– General Manager of Intesa Sanpaolo S.p.A.

Board Member

The Board of Directors was appointed by the shareholders' meeting held on 9 April 2010 for a term lasting until approval of financial statements as at 31 December 2012.

For the purposes of their positions at Banca IMI S.p.A., the members of the Board of Directors set out above are domiciled at the offices of Banca IMI, in Milan.

No Executive Committee has been appointed.

Managing Director and Chief Executive Officer

Gaetano Miccichè, born in Palermo on 12 October 1950, has held the position of Managing Director and Chief Executive Officer of the Issuer since 9 April 2010 and will do so until the end of his term of office (approval of the financial statements as at 31 December 2012).

General Manager

Andrea Munari, born in Treviso on 18 August 1962, has held the position of General Manager of the Issuer since 1 October 2007.

Board of Statutory Auditors

The Board of Statutory Auditors of Banca IMI S.p.A. is composed, pursuant to the by-laws of the Issuer, of three standing statutory auditors and two alternate statutory auditors.

The current Board of Statutory Auditors of Banca IMI S.p.A. was appointed by the shareholders' meeting held on 9 April 2010 and is composed of three standing statutory auditors and two alternate statutory auditors.

The following table specifies the name, position and the main activities carried out outside the Issuer (if relevant with regard to the Issuer) of the members of the Board of Statutory Auditors:

NAME AND POSITION	MAIN ACTIVITIES CARRIED OUT OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
Gianluca Ponzellini	– Member of the Supervisory Board of parent company Intesa Sanpaolo S.p.A.
Chairman	– Chairman of the Board of Statutory Auditors of De' Longhi S.p.A.
	– Chairman of the Board of Statutory Auditors of Finmar S.p.A.

NAME AND POSITION	MAIN ACTIVITIES CARRIED OUT OUTSIDE THE ISSUER WHERE RELEVANT WITH REGARD TO THE ISSUER
	– Standing Auditor of G.S. S.p.A.
	– Standing Auditor of Telecom Italia S.p.A.
Stefania Mancino	
Standing statutory auditor	
Riccardo Rota	– Standing Auditor of IMI Investimenti S.p.A.
Standing statutory auditor	– Standing Auditor of Martini & Rossi S.p.A.
	– Chairman of the Board of Statutory Auditors of certain Companies in the Fiat Group
Paolo Giolla	
Alternate statutory auditor	-
Alessandro Cotto	
Alternate statutory auditor	-

For the purposes of their positions at Banca IMI S.p.A. the members of the Board of Statutory Auditors set out above are domiciled at the offices of Banca IMI S.p.A., in Milan.

Conflicts of interest of members of the Board of Directors and the Board of Statutory Auditors

As at the date of publication of this Base Prospectus, based on the duties of disclosure of directors and statutory auditors pursuant to article 2391 of the Italian civil code and article 136 of Legislative Decree no. 385/1993, the Issuer is not aware of any potential conflicts of interest between the obligations of the member of the board of directors to the Issuer and their private obligations and/or interests.

LEGAL AND ARBITRATION PROCEEDINGS

Banca IMI operates in a legal and regulatory environment that exposes it to potentially significant litigation and other risk. As a result, Banca IMI is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on the operations or financial statements, particularly in the earlier stages of a case. In certain circumstances, to avoid the expenses and distraction of legal proceedings, Banca IMI may, based on a cost benefit analysis, enter into a settlement even though Banca IMI denies any wrongdoing. The administrative, legal or arbitration proceedings that may have or that have recently had a material effect on the Issuer's financial condition or profitability are described below.

To cover its litigation risks, the Issuer has made provision for risks and charges totalling approximately €13,600,000 as of 31 December 2011.

Banca IMI is involved in the following legal proceedings which could be material to the Issuer:

Cirio Group Litigation

In early April 2007, ten companies belonging to the Cirio Group in receivership (*amministrazione straordinaria*) commenced legal proceedings against Intesa Sanpaolo S.p.A., the former Banca Caboto S.p.A.

(now Banca IMI S.p.A.), and five other financial intermediaries, claiming jointly and severally damages arising from:

- the arrangement of, and participation in, six bond issuances by companies belonging to the Cirio Group during the period from 2000 to 2002, which bond issuances were alleged to have increased the financial difficulties of the relevant issuers. Relevant damages were claimed, using three different criteria, for an amount of €2,082 million (on the basis of the first criterium), or the lower amount of €1,055 million (on the basis of the second criterium) or €421 million (on the basis of the third criterium);
- the loss of opportunity to bring bankruptcy claw-back actions, for undetermined amounts, as a result of the delay in the financial difficulties of the Cirio Group companies becoming known; and
- the payment of commissions in an aggregate amount of €9.8 million in relation to the placement activities rendered in respect of certain bond issuances.

The former Banca Caboto S.p.A. (now Banca IMI) opposed to the claim and requested a hearing to be scheduled to discuss the case with a view to avoiding lengthy negotiations and swiftly achieving a resolution of the dispute.

Following the exchange of additional legal pleadings, the judge scheduled a hearing for discussion, held on 11 June 2009. Further to a judgment delivered on 3 September 2009, the Court of Rome rejected the plaintiffs' claims and ordered the reimbursement of costs incurred, quantified at over € 4.1 million. The plaintiffs have appealed against this sentence, and both Intesa Sanpaolo and Banca IMI have appeared before the appeal court and have asked for the appeal to be thrown out. The appeal process is currently ongoing and the relevant hearing has been scheduled for 26 January 2016.

Formerly Schering-Plough Corporation (currently, Merck & Co) Litigation

During April 2008, the Arkansas Teachers' Pension Fund brought a class action before the District Court of New Jersey, United States of America, in connection with the public offer in August 2007 of 57,500,000 ordinary shares and 10,000,000 newly issued preference shares in the company Schering-Plough Corporation (subsequently merged, in November 2009, with Merck & Co and renamed Merck & Co upon completion of the merger), for a total value of USD 4 billion. Schering-Plough Corporation was a U.S. company that manufactures and distributes pharmaceutical products and which in November 2009 merged with Merck & Co, another U.S. pharmaceutical company, and adopted the name Merck & Co. The pre-merger company Banca IMI S.p.A., with registered office at Corso Matteotti 6, 20121, Milan, had acted, in respect of the offer of ordinary shares only, as a member of the underwriting syndicate, with commitments of 0.25 per cent. of the total amount of ordinary shares offered.

The action was brought against the issuer, formerly, Schering-Plough Corporation (currently, Merck & Co), its senior management and the members of its Board of Directors, as well as the members of the underwriting syndicates for the offer of ordinary and preference shares (including Banca IMI S.p.A.), on the basis of the claim that the offer documents had failed to disclose to investors information regarding a clinical trial carried out in April 2006, of which the issuer was aware, that had resulted in the finding that two anti-cholesterol products manufactured and distributed by the former Schering-Plough Corporation together with the former Merck & Co., Inc., and the sales of which constituted a significant share of the Schering-Plough Corporation's turnover, were essentially ineffective. It is claimed that the results of the clinical trial were only disclosed to the public by the Schering-Plough Corporation in January 2008 and led to a significant decline in the market value of Schering's shares on the relevant stock exchanges, amounting to a decrease in the stock price of approximately 25 per cent..

The claim was brought against the issuer, Schering-Plough Corporation (currently, Merck & Co), its senior management and members of its Board of Directors and against the members of the underwriting syndicates of the above-mentioned offers, on the grounds that, in accordance with applicable U.S. laws regarding liability for inaccurate information or omissions in public offer documents, such banks were jointly liable with the issuer to investors.

The class action was joined with similar proceedings brought before the same District Court by other U.S. public pension funds and is currently being heard before the court of first instance.

Lehman Brothers Holdings Inc. Litigation

During October 2008, the Issuer was called as defendant, together with former executives of Lehman Brothers Holdings Inc. and other financial intermediaries, in a class action brought by a private investor before the Garland County District Court in the State of Arkansas (USA). The action was in connection with the Issuer's participation as a member of the underwriting syndicate in a public offering of subordinated bonds issued in October 2006 by Lehman Brothers Holdings Inc. in a total nominal amount of €750 million. Lehman Brothers Holdings Inc. was the parent company of the Lehman Brothers Group and listed on the New York Stock Exchange, and was one of the leading US financial groups operating at global level until September 2008, in the fields of capital markets, investment banking and structured finance. The Issuer had acted as a member of the underwriting syndicate, with commitments of 1 per cent. of the total amount of the bonds offered. The proceedings were brought on the grounds that the offer documentation and the documents incorporated by reference therein failed to disclose to investors the significant risks assumed by, and the significant exposure of, Lehman Brothers Holdings Inc. in the real estate sector and its derivatives business; risks and exposure which, as a result of the adverse trend in the financial markets, led in September 2008 to Lehman Brothers Holdings Inc. filing for bankruptcy protection pursuant to Chapter 11 of the US Federal Bankruptcy Code.

The proceedings were brought against both the senior management and members of the Board of Directors of Lehman Brothers Holdings Inc., and the members of the underwriting syndicate involved in the above-mentioned offer (including Banca IMI S.p.A.), on the grounds that, in accordance with applicable U.S. laws regarding liability for inaccurate information or omissions in public offer documents, the latter were jointly liable with the issuer to investors.

The class action was transferred to the district court of the State of New York to be joined with numerous similar proceedings pending before various US district courts, brought by numerous private, public and institutional investors, and is currently pending before the court of first instance. On 6 April 2010 the claimants reformulated their requests, stating that the period concerned for the purposes of the submission of the claims in the class action was between 12 June 2007 and 15 September 2008 (whereas, as stated above, the transaction in which the Banca IMI S.p.A. participated was prior to such period).

With regard to the Issuer's participation as a member of the underwriting syndicate in the above-mentioned public offering of subordinated bonds issued in October 2006 by Lehman Brothers Holdings Inc. in a total nominal amount of €750 million, the Issuer was also called as defendant in May 2008, together with former corporate executives of Lehman Brothers Holdings Inc. and other financial intermediaries, in an individual legal action brought by a US public pension fund before the court of Thurston county in the State of Washington (USA).

This legal action is currently pending before the court of first instance.

General Electric Litigation

During April 2009, the Issuer was called as defendant, together with senior executives of General Electric Company Inc. and other financial intermediaries, in a class action brought by a public pension fund before the district court of the State of New York (USA), in connection with the Issuer's participation as a member of the underwriting syndicate in a public offering of ordinary shares issued by General Electric Company Inc. in October 2008 in a total amount of USD 12 billion. General Electric Company Inc. is listed on the New York Stock Exchange and is the parent company of the General Electric Group, a leading US industrial group.

Banca IMI had acted in October 2008 as a member of the underwriting syndicate, with commitments of 1 per cent. of the total amount of the shares offered.

The legal proceedings were brought on the grounds that the offering documentation and the documents incorporated by reference therein provided inaccurate and misleading information to investors in respect of General Electric's dividend yield maintenance policy, which was significantly reduced over the course of the last quarter of 2008 and in 2009 as a result of the adverse trend in the financial markets and the negative impact of this trend on the results of operations and forecasted earnings of General Electric's financial services division, General Electric Capital Services.

In addition to being brought against General Electric Company Inc., its senior management and members of its Board of Directors, the legal proceedings were also brought against the members of the underwriting syndicate of the above-mentioned offering (including Banca IMI S.p.A.), on the grounds that, in accordance with applicable U.S. laws regarding liability for inaccurate information or omissions in public offer documents, the latter were jointly liable with the issuer to investors.

The class action was joined with numerous similar proceedings having the same subject matter, which had been brought before the same district court by numerous private, public and institutional investors.

On 18 April 2012 the United States District Court of the Southern District of New York dismissed the class action complaint against the members of the underwriting syndicate.

SARAS Litigation

In March 2011, a number of private investors served a summons on Banca IMI, together with SARAS S.p.A. – Raffinerie Sarde, the Chairman and the Managing Director of SARAS S.p.A. and auditing firm Pricewaterhouse Coopers S.p.A. to appear before the Civil Court of Milan for alleged liability for inaccurate information in the public offer document published on 21 April 2006 related to the sale and subscription of SARAS S.p.A. ordinary shares and their admission to trading on the electronic shares exchange market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana S.p.A. The company, formerly Banca Caboto S.p.A., had acted as the Lead Manager of the public offer, sponsor and co-global coordinator.

The legal action is currently pending before the court of first instance.

SELECTED FINANCIAL AND BALANCE SHEET FIGURES RELATING TO THE ISSUER

The following table contains certain selected solvency and credit quality indicators relating to the Issuer on a non-consolidated basis as at 31 December 2011, compared to corresponding figures as at 31 December 2010.

	31 December 2011	31 December 2010
	<i>(per cent.)</i>	
Tier 1 capital ratio	9.20	10.80
Core Tier 1	9.20	10.80
Total capital ratio	9.20	10.80
Gross non-performing loans/commitments	0.21	0.20
Net non-performing loans/commitments	0.05	0.10
Gross doubtful loans/commitments	1.64	1.50
Net doubtful loans/commitments	1.34	1.23
Regulatory capital (in EUR millions)		
Tier 1	2,541.5	2,358.9
Tier 2	2.3	4.6
Total capital	2,543.8	2,363.5
Risk Weighted Assets	27,531.1	21,892.1

The following tables contain certain selected income statement and balance sheet figures extracted from the Issuer's audited non-consolidated financial statements for the financial year ending 31 December 2011, compared with corresponding figures for the financial year ending 31 December 2010.

Income Statement Figures

	31 December 2011	31 December 2010	Percentage Variation
	<i>(EUR million)</i>		<i>(per cent.)</i>
Interest margin	549.9	486.1	13.1
Net interest and other banking income	1,165.9	1,102.90	5.7
Operating expenses	317.1	289.4	9.6
Net income from banking activities	1,111.2	1,071.70	3.7
Income (Loss) before tax from continuing operations	794.1	782.3	1.5
Net income	512.1	547.3	- 6.4

Balance Sheet Figures

	31 December 2011	31 December 2010	Percentage variation
	<i>(EUR million)</i>		<i>(per cent.)</i>
Net investments ⁴	18,379.5	20,328.0	-9.5
Net revenue ⁵	23,580.7	21,219.2	11.1
Indirect revenue ⁶	0	0	0
Financial assets	66,329.3	58,049.4	14.3
Total assets	138,652.3	125,686.0	10.3
Net equity	2,705.2	2,951.4	- 8.3
Share Capital	962.5	962.5	0.0

The following table contains certain selected solvency and credit quality indicators relating to the Issuer on a consolidated basis as at 31 December 2011, compared to corresponding figures as at 31 December 2010⁷.

⁴ The aggregate is composed of loans to customers and financial assets held for trading, net of financial liabilities held for trading.
⁵ Net Revenue includes the following balance sheet items: securities issued, financial liabilities carried at fair value through profit and loss, debts due to customers and debts due to banks net of credits due from banks. Accordingly reference is made to direct revenue.
⁶ Banca IMI does not carry out portfolio management activities.
⁷ Banca IMI is not the Parent Company of a Banking Group, accordingly balance sheet figures and risks connected to prudential supervision on a consolidated basis are not included.

	31 December 2011	31 December 2010
	<i>(per cent.)</i>	
Tier 1 capital ratio	n/a	n/a
Core Tier 1	n/a	n/a
Total capital ratio	n/a	n/a
Gross non-performing loans/commitments	0.21	0.20
Net non-performing loans/commitments	0.05	0.10
Gross doubtful loans/commitments	1.63	1.40
Net doubtful loans/commitments	1.33	1.21
Regulatory capital	n/a	n/a
Risk Weighted Assets	n/a	n/a

The following tables contain certain selected income statement and balance sheet figures extracted from the Issuer's audited consolidated financial statements for the financial year ending 31 December 2011, compared with corresponding figures for the financial year ending 31 December 2010.

Income Statement Figures

	31 December 2011	31 December 2010	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Interest margin	562.7	499.4	12.7
Net interest and other banking income	1,180.5	1,085.6	8.7
Operating expenses	327.0	299.9	9.0
Net income from banking activities	1,130.5	1,055.2	7.1
Income (Loss) before tax from continuing operations	805.2	755.3	6.6
Net income	516.5	516.9	- 0.1

Balance Sheet Figures

	31 December 2011	31 December 2010	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Net investments	18,508.6	20,782.8	-10,9

	31 December 2011	31 December 2010	Percentage variation
	<i>(EUR million)</i>		<i>(per cent)</i>
Net revenue	23,583.3	21,571.1	9.3
Indirect revenue	0	0	0
Financial assets	66,368.2	58,094.7	14.2
Total assets	139,229.7	126,531.8	10.0
Net equity	2,800.2	3,039.6	- 7.9
Share Capital	962.5	962.5	0.0

Such information is not indicative of the Issuer's future performance. There can be no guarantee that any future negative performance by the Issuer will not adversely affect the regular provision of investment services by the Issuer or the Issuer's ability to perform its payment obligations on any contractual due dates.

OVERVIEW OF THE FINANCIAL INFORMATION

Audited Consolidated Annual Financial Statements

The annual financial information below as at and for the years ended 31 December 2010 and 31 December 2011 has been derived from the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2011 (the **2011 Annual Financial Statements**) that include comparative figures as at and for the year ended 31 December 2010. The 2011 Annual Financial Statements have been audited by Reconta Ernst & Young S.p.A., auditors to Banca IMI S.p.A., who issued their audit report on 14 March 2012.

Incorporation by Reference

The annual financial statements referred to above are incorporated by reference in this Prospectus (see "*Information Incorporated by Reference*"). The financial information set out below forms only part of, should be read in conjunction with and is qualified in its entirety by reference to the above-mentioned annual financial statements, together with the accompanying notes and auditors' reports.

Accounting Principles

The annual and half-yearly financial statements of the Issuer have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board and the relative interpretations of the International Financial Reporting Interpretations Committee, otherwise known as International Financial Reporting Standards, as adopted by the European Union under Regulation (EC) 1606/2002. The half-yearly financial statements of the Issuer have been prepared in compliance with International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

CONSOLIDATED ANNUAL BALANCE SHEET

The annual financial information below includes comparative figures as at and for the years ended 31 December 2010 and 31 December 2011.

Assets	31 December 2011	31 December 2010
	<i>(EUR thousand)</i>	

Assets	31 December 2011	31 December 2010
	<i>(EUR thousand)</i>	
Cash and cash equivalents	3	2
Financial assets held for trading	59,622,811	55,172,020
Financial assets available for sale	6,745,435	2,922,644
Due from banks	56,635,055	52,888,946
Loans to customers	14,012,386	13,547,339
Hedging derivatives	988,621	987,356
Equity investments	10,070	8,647
Property and equipment	752	855
Intangible assets	194,216	194,251
of which:		
- goodwill	194,070	194,070
Tax assets	541,150	388,945
a) current	216,756	263,647
b) deferred	324,394	125,298
Other assets	479,240	420,829
Total Assets	139,229,739	126,531,834

CONSOLIDATED ANNUAL BALANCE SHEET

The annual financial information below includes comparative figures as at and for the years ended 31 December 2010 and 31 December 2011.

Liabilities and Shareholders' Equity	31 December 2011	31 December 2010
	<i>(EUR thousand)</i>	
Due to banks	42,145,742	25,228,016
Due to customers	4,479,861	8,469,525
Securities issued	32,907,923	39,549,073
Financial liabilities held for trading	54,717,953	47,936,468
Financial liabilities carried at fair value through profit and loss	684,942	1,213,368
Hedging derivatives	680,992	586,922
Tax liabilities	326,368	327,549
a) current	323,783	323,999
b) deferred	2,585	3,550
Other liabilities	461,402	154,972

Liabilities and Shareholders' Equity	31 December 2011	31 December 2010
	<i>(EUR thousand)</i>	
Employee termination indemnities	7,930	8,600
Allowances for risks and charges	16,423	17,781
<i>a) retirement packages and similar obligations</i>	<i>12</i>	<i>12</i>
<i>b) other allowances</i>	<i>16,411</i>	<i>17,769</i>
Valuation reserves	(392,234)	(37,567)
Reserves	1,132,179	1,016,520
Share premium reserve	581,260	581,260
Share capital	962,464	962,464
Third party equity (+/-)	-	-
Net income (loss)	516,543	516,883
Total Liabilities and Shareholders' Equity	139,229,739	126,531,834

CONSOLIDATED ANNUAL STATEMENTS OF INCOME

The annual financial information below includes comparative figures as at and for the years ended 31 December 2010 and 31 December 2011.

	31 December 2011	31 December 2010
	<i>(EUR thousand)</i>	
Interest and similar income	2,190,204	2,080,093
Interest and similar expense	(1,627,472)	(1,580,728)
Interest margin	562,732	499,365
Fee and commission income	343,313	394,355
Fee and commission expense	(84,906)	(170,647)
Net fee and commission income	258,407	223,708
Dividend and similar income	367,932	317,560
Profits (Losses) on trading	(57,335)	40,864
Profit (Losses) on hedging	2,818	653
Profits (Losses) on disposal or repurchase of:	45,059	29,218
<i>a) loans</i>	<i>9,551</i>	<i>8,166</i>
<i>b) financial assets available for sale</i>	<i>29,053</i>	<i>15,108</i>
<i>c) investments held to maturity</i>	<i>-</i>	<i>-</i>
<i>d) financial liabilities</i>	<i>6,455</i>	<i>5,944</i>
Profits (Losses) on financial assets and liabilities carried at fair value	883	(25,816)

	31 December 2011	31 December 2010
	<i>(EUR thousand)</i>	
Net interest and other banking income	1,180,496	1,085,552
Net losses/recoveries on impairment of:	(50,013)	(30,318)
<i>a) loans</i>	(29,648)	(42,129)
<i>b) financial assets available for sale</i>	-	-
<i>c) investments held to maturity</i>	-	-
<i>d) other financial assets</i>	(20,365)	11,811
Net income from banking activities	1,130,483	1,055,234
Net premiums	-	-
Other income/loss from insurance activities	-	-
Net income from banking and insurance activities	1,130,483	1,055,234
Administrative expenses	(315,745)	(301,134)
<i>a) personnel expenses</i>	(112,264)	(120,972)
<i>b) other administrative expenses</i>	(203,481)	(180,162)
Net provisions for risks and charges	(14,300)	(8,000)
Net adjustments to/recoveries on property and equipment	(403)	(536)
Net adjustments to/recoveries on intangible assets	(42)	(110)
Other operating expenses (income)	3,451	9,859
Operating expenses	(327,039)	(299,921)
Profits (Losses) on equity investments	1,704	(23)
Income (Loss) before tax from continuing operations	805,148	755,290
Taxes on income from continuing operations	(288,614)	(238,407)
Income (Loss) after tax from continuing operations	516,534	516,883
Net income (loss)	516,534	516,883
Third party net income (loss)	-	-
Parent company's net income (loss)	516,534	516,883

TAXATION

1. General

Transactions involving Securities may be subject to stamp taxes and give rise to certain other tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Paragraphs 2 to 8 below summarise, for information purposes only, certain aspects of the Italian, French, German, Luxembourg, Portuguese, Spanish and United Kingdom tax treatment of transactions involving Securities. However, such transactions may have tax consequences in other jurisdictions. Potential purchasers who are in any doubt about the tax position of any aspect of transactions involving Securities should consult their own tax advisers.

The following general discussion does not take into account taxation which may be imposed by way of withholding or otherwise in the Republic of Italy, France, Germany, the Grand Duchy of Luxembourg, Portugal, Spain, the United Kingdom or in any other jurisdiction, on income and capital gains in any form, on any of the underlying assets to which a Certificate may relate.

Condition 9 ("Expenses and Taxation") on page 75 should be considered carefully by all potential purchasers of any Securities.

2. Taxation in the Republic of Italy

The following is a general discussion of current Italian law and practice relating to the taxation of the Securities.

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the overall tax consequences of their interest in the Securities.

Italian taxation of the Securities

Pursuant to Article 67 of the Presidential Decree No. 917 of 22 December 1986 and Legislative Decree No. 461 of 21 November 1997, as subsequently amended, where the Italian resident Securityholder is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains accrued under the sale or the exercise of the Securities are subject to a 20 per cent. substitute tax (*imposta sostitutiva*). The recipient may opt for one of the three regimes described below:

- (1) Under the "*tax declaration*" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Securityholder, holding Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of

any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

- (2) As an alternative to the tax declaration regime, Italian resident individual Securityholders holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Securityholder or using funds provided by the Securityholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Securityholder is not required to declare the capital gains in the annual tax return.
- (3) Any capital gains realised by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Securityholder is not required to declare the capital gains realised in the annual tax return.

Where an Italian resident Securityholder is a company or a similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, capital gains arising from the Securities will not be subject *imposta sostitutiva*, but must be included in the relevant Securityholder's income tax return and therefore subject to Italian corporate tax.

Capital gains realised by non-Italian-resident Securityholders are not subject to Italian taxation, provided that the Securities (i) are traded on regulated markets, or (ii) are held outside of Italy.

Atypical securities

According to a certain interpretation of Italian tax law there is the possibility that, on the basis of certain features of the Securities, the Securities 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 these Securities shall be subject to a withholding tax levied at the rate of 20 per cent. (final or on account depending on the "*status*" and tax residence of the Securityholder). Where the Securityholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Securities are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax.

Inheritance and gift tax

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding € 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer tax

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to the periodic reporting communications which may be sent by financial intermediaries to a Securityholder in respect of any Securities which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.1 per cent. for the year 2012 and at 0.15 per cent. for subsequent years; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Securities held. The stamp duty can be no lower than € 34.20 and, for the year 2012 only, it cannot exceed € 1,200. Although the stamp duty is already applicable, certain aspects of the relevant discipline is expected to be clarified by and implemented with a Decree of the Ministry of Economy and Finance.

Under a preliminary interpretation of the law, it may be understood that the stamp duty applies both to Italian resident and non-Italian resident Securityholders, to the extent that the Securities are held with an Italian-based financial intermediary

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Securities outside the Italian territory are required to pay an additional tax at a rate of 0.1 per cent. for 2011 and 2012, and at 0.15 per cent. for subsequent years.

This tax is calculated on the market value of the Securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due). Although the wealth tax is already applicable, certain aspects of the relevant discipline are expected to be clarified by and implemented with a Decree of the Ministry of Economy and Finance

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 (Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

3. Taxation in France

The following is a general discussion of certain French taxation matters and is (i) based on the laws and practice in force as of the date of this Base Prospectus and subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect and (ii) prepared on the assumption that the Issuer is not a French resident for French tax purposes and is not acting from a French branch or permanent establishment in connection with the Securities. Investors should be aware that the statements below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors should consult their professional advisers so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Securities.

Withholding tax

All payments by the Issuer in respect of the Securities will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

EU Savings Directive

The Directive 2003/48/EC on the taxation of savings income has been implemented into French law under article 242 *ter* of the French *Code général des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners resident in another Member State, including, the identity and address of the beneficial owner and a detailed list of different categories of interest paid to the beneficial owner.

Transfer tax and other taxes

Until 31 July 2012, the disposal for consideration of French shares is, in principle, subject to a transfer tax (provided in the case of shares listed on the recognised stock exchange that the transfer is evidenced by a deed or agreement) with application of the following declining rates: 3 per cent. for the fraction of the price up to €200,000, 0.5 per cent. for the fraction of the price comprised between €200,000 and €500,000,000 and 0.25 per cent. for the fraction of the price exceeding €500,000,000 (the **Transfer Tax**).

As from 1 August 2012, pursuant to the French amending finance law for 2012, the following changes are applicable:

- The modification of the rates in respect of the Transfer Tax with the consequence that the disposal of French shares would, in principle, be subject to a 0.1 per cent. transfer tax (the New Transfer Tax), provided in the case of shares listed on a recognised stock exchange that the transfer is evidenced by a deed or agreement.

- The introduction of a financial transaction tax in France (the French **Financial Transaction Tax**) to be imposed on certain acquisitions over French listed shares (and other similar securities) where the issuer's stock market capitalisation exceeds €1 billion. The French Financial Transaction Tax rate is 0.1 per cent. of the sale price of the transaction.
- If the French Financial Transaction Tax applies to a transaction, an exemption in respect of the New Transfer Tax would be applicable.

4. **Taxation in Germany**

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Securities. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This general discussion is based on the tax laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Securities may be subject to a different tax treatment due to the specific terms of such Series or Tranche of Securities as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment.

Prospective purchasers of Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Securities, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Tax Residents

The section "Tax Residents" refers to persons who are tax residents of Germany (*i.e.* persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on current income and capital gains

Capital gains (*i.e.* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual holder of Securities will be subject to German withholding tax if the Securities are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a **Disbursing Agent**, *auszahlende Stelle*), provided the Securities have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). If the individual holder of Securities is subject to church tax, a church tax surcharge may also be withheld.

The same treatment applies to ongoing payments on the Securities.

Where Securities are issued in a currency other than Euro any currency gains or losses are part of the capital gains.

If interest coupons or interest claims are disposed of separately (*i.e.* without the Securities), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Securities have been disposed of separately.

If Securities qualifying as a forward/futures transaction (*Termingeschäft*) according to sec. 20 para. 2 sent. 1 no. 3 German Income Tax Act (**ITA**, *Einkommensteuergesetz*) are settled by a cash payment, capital gains realised upon exercise (*i.e.* the cash amount received minus directly related costs and expenses, *e.g.* the acquisition costs) are subject to withholding tax. In the event of physical delivery, the acquisition costs of such Securities plus any additional sum paid upon exercise are generally regarded as acquisition costs of the underlying assets received upon physical settlement. Withholding tax may then apply to any gain resulting from the subsequent disposal, redemption, repayment or assignment of the assets received. In case of certain assets being the underlying (*e.g.* commodities or currencies) a subsequent sale of the underlying received may not be subject to German withholding tax as outlined in this section but any disposal gain may be fully taxable at the personal income tax rate of the individual holder.

In case of a physical settlement of certain Securities (not qualifying as forward/futures transactions) which grant the Issuer or the holder of the Securities the right to opt for a physical delivery of underlying securities assets instead of a money payment of the nominal amount, the acquisition costs of the Securities may be regarded as proceeds from the disposal, redemption, repayment or assignment of the Securities and hence as acquisition costs of the underlying securities received by the individual holder of the Securities upon physical settlement; any consideration received by the holder of the Securities in addition to the underlying securities may be subject to withholding tax. To the extent the provision mentioned above is applicable, generally no withholding tax has to be withheld by the Disbursing Agent upon physical settlement as such exchange of the Securities into the underlying securities assets does not result in a taxable gain for the individual holder of the Securities. However, withholding tax may then apply to any gain resulting from the disposal, redemption, repayment or assignment of the securities assets received in exchange for the Securities. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the securities assets received and the acquisition costs of the Securities (after deduction of expenses related directly to the disposal, if any).

To the extent the Securities have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition or if the Securities have been transferred into the custodial account of the Disbursing Agent only after their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge) on 30 per cent. of the disposal proceeds (plus interest accrued on the Securities (**Accrued Interest**, *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Securities by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the EU Savings Directive (*e.g.* Switzerland or Andorra).

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual holder of Securities via the Disbursing Agent (*e.g.* losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder of Securities in the custodial account with the Disbursing Agent.

Individual holder of Securities may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly) for all investment income received in a given year. Upon the individual holder of Securities filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the holder of Securities has

submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Securities held by a corporation as holder of Securities while ongoing payments such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Securities form part of a trade or business or are related to income from letting and leasing of property, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual holder of Securities deriving income from capital investments under the Securities is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Securities kept in custody abroad or if no Disbursing Agent is involved in the payment process of if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), the individual holder of Securities must report his or her income and capital gains derived from the Securities on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). Further, an individual holder of Securities may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemised basis is not permitted.

Losses incurred with respect to Securities can only be off-set against investment income of the individual holder of Securities realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Securities can only be off-set against capital gains deriving from the disposal of shares. Losses from Securities qualifying as forward/futures transactions that expire worthless shall – according to the administrative directive of the German tax authorities – be non-deductible for individual holders.

Where Securities form part of a trade or business or the income from the Securities qualifies as income from the letting and leasing of property the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Securities form part of a trade or business, interest (accrued on the Securities) must be taken into account as income. The respective holder of Securities will have to report income and related (business) expenses on the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the holder of Securities. Where Securities form part of a German trade or business the gains from the disposal, redemption, repayment or assignment of the Securities may also be subject to German trade tax.

If Securities form part of a trade or business, the deductibility of losses derived from the exercise, disposal or expiration of Securities which qualify for tax purposes as forward/futures transactions is generally limited. These losses may only be applied against profits from other forward/futures transactions derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses may be carried forward indefinitely and applied against profits from forward/futures transactions in subsequent years. These generally do not apply to futures transactions hedging the investor's ordinary business. Further special rules apply to credit institutions, financial service companies and finance companies within the meaning of the German Banking Act.

In the case of physically settled Securities further limitations may apply to losses from the disposal of underlying securities assets which are shares in corporations.

German Investment Tax Act

German tax consequences different from those discussed above would arise if the respective Securities or the underlying securities delivered upon physical delivery were to be regarded as investment fund units within the meaning of the German Investment Tax Act. In such case, the withholding tax requirements for the Disbursing Agent as well as the taxation of the holder of Securities would depend on whether the disclosure and reporting requirements of the German Investment Tax Act were fulfilled. The holder of Securities may be subject to tax on unrealised income or, in case the reporting and disclosure requirements are not fulfilled, on income deemed received on a lump-sum basis (so-called penalty taxation). Such income may be offset against any capital gains realised upon disposal of the Securities or the underlying securities received, respectively, subject to certain requirements.

Non-residents

Capital gains derived from the Securities are not subject to German taxation, unless (i) the Securities form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of Securities; or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "*Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Securities are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Securities are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Security or an interest coupon are paid by a Disbursing Agent to a non-resident upon delivery of the Securities or interest coupons, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Securities will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Security is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

EU Savings Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the EU Savings Directive into German law. These provisions apply from 1 July 2005.

For further information about the EU Savings Directive please refer to page 28.

No gross-up for taxes withheld

Purchasers of the Securities should note that according to the Terms and Conditions neither the Issuer nor any other person will assume any liability for taxes withheld from payments under the Securities, nor make any additional payments in regard of these taxes, *i.e.* no gross-up will apply if a withholding tax is imposed.

5. Luxembourg Taxation

The following discussion is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of similar nature refers to Luxembourg tax law and/or concepts only.

Withholding tax

Non-Resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the **Laws**), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Securities, nor on accrued but unpaid interest in respect of the Securities, nor is any Luxembourg withholding tax payable upon settlement or repurchase of the Securities held by non-resident holders of Securities.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her/its country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest or similar income under the Securities coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent..

Resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Securities, nor on accrued but unpaid interest in respect of Securities, nor is any Luxembourg withholding tax payable upon settlement or repurchase of Securities held by Luxembourg resident holders of Securities.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent.. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest or similar income under the Securities coming within the scope of the Law will be subject to withholding tax of 10 per cent..

6. Portuguese Taxation

The following is a general discussion of the current Portuguese tax treatment at the date hereof in relation to certain aspects of the Portuguese taxation of payments in respect of the Securities. The statements do not deal with other Portuguese tax aspects regarding the Securities and relate only to the position of persons who are absolute beneficial owners of the Securities. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. Securityholders who are in any doubt as to their tax position should consult their own professional advisers.

Security holders income tax

As a rule, the income arising from the Securities are qualified as capital gains for Portuguese tax purposes. However, regarding the Securities that qualified as Certificates the positive difference, if any, between the minimum amount guaranteed and the subscription price of the certificates is qualified as investment income subject to Income Tax in Portugal.

Personal Income Tax (“PIT”)

(i) Investment income

The positive difference, if any, between the minimum amount guaranteed and the subscription price of the Certificates is qualified as investment income subject to Personal Income Tax in Portugal.

As regards to investment income on the Certificates made to Portuguese tax resident individuals, they are subject to personal income tax which shall be withheld at the current final withholding rate of 25 per cent. if there is a Portuguese resident paying agent as from the moment the correspondent amounts are made available to the individual resident in Portugal for tax purposes, unless the individuals elects to include the income in their taxable income, subject to tax at the current progressive personal income tax rates of up to 46.5 per cent. An additional personal income tax rate of 2.5 per cent. that will be due on the part of the taxable income exceeding €153,300. In this case, the tax withheld is deemed to be a payment on account of the final tax due. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investment income payments due by non resident entities to Portuguese tax resident individuals will be included in their taxable income, subject to tax at the current progressive rates of up to 46.5 per cent whenever those payments are not subject to Portuguese withholding tax. An additional personal income tax rate of 2.5 per cent. that will be due on the part of the taxable income exceeding €153,300.

(ii) Capital gains

The annual positive balance arising from the difference between capital gains and capital losses resulting from transactions in connection with the Securities will be taxed at the special tax rate of 25 per cent., unless the individuals resident in Portugal elects to include the income in their taxable income, subject to tax at progressive rates of up to 46.5 per cent. An additional personal income tax rate of 2.5 per cent. that will be due on the part of the taxable income exceeding €153,300.

There is no Portuguese withholding tax on capital gains.

Corporate Income Tax (CIT)

Investment income and capital gains

Investment income arising from Certificates, if any, and capital gains obtained by Portuguese corporate resident entities in relation to the Securities will be included in their taxable income and is subject to a corporate income tax rate of 25 per cent., which may be subject to a municipal surcharge (*derrama municipal*) of up to 1.5 per cent., over the Securityholders taxable profits. A state surcharge ("*derrama estadual*") rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €10,000,000 and of 5 per cent. on the part of the taxable profits exceeding €10,000,000.

There is (i) no Portuguese withholding tax on capital gains and (ii) no withholding tax on investment income arising from the Certificates, if any, even if there is a Portuguese paying agent that made available such income to the corporate entities resident in Portugal for tax purposes.

7. Spanish Taxation

The following discussion is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, though it is not intended to be, nor should it be construed to be, legal or tax advice. This section does not constitute a complete description of all the tax issues that may be relevant in making the decision to invest in the Securities or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the Securities and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective investors in the Securities should therefore consult their own professional advisers as to the effects of state, regional or local law in Spain, to which they may be subject.

Individuals with Tax Residence in Spain

Certificates

Personal Income Tax

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish holders of the Certificates may receive under the Certificates will be subject to Spanish taxation.

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the Certificates obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties).

Both types of income will be included in the savings part of the taxable income generally subject to Personal Income Tax at the following tax rates: financial income up to €6,000 will be taxed at a rate of 19 per cent and the excess over such threshold will be subject to a tax rate of 21 per cent. However, exceptionally during the tax periods 2012 and 2013, the savings income tax base will be taxed at the following rates: (i) 21 per cent. up to €6,000; (ii) 25 per cent. from €6,001 up to €24,000; and (iii) 27 per cent. on any amount exceeding €24,000.

Spanish holders of the Certificates shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any.

Income arising on the disposal, redemption or reimbursement of the Certificates will be calculated as the difference between: (a) their disposal, redemption or reimbursement value; and (b) their acquisition or subscription value. Costs and expenses effectively borne by the holder on the acquisition and transfer of the Certificates may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Likewise, expenses relating to the management and deposit of the Certificates, if any, will be tax-deductible, excluding those pertaining to discretionary or individual portfolio management.

Losses that may derive from the transfer of the Certificates cannot be offset if the investor acquires homogeneous Certificates within the two-month period prior or subsequent to the transfer of the Certificates, until he/she transfers such homogeneous Certificates.

Additionally, tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Certificates, if any.

Wealth Tax

In accordance with Royal Decree-law 13/2011 of 16 September, Wealth Tax has come into effect for the tax periods 2011 and 2012. Wealth Tax is levied on the net worth of an individual's assets and rights. The marginal rates range between 0.2 per cent. and 2.5 per cent. and some reductions could apply. Individual with tax residency in Spain who are under the obligation to pay Wealth Tax must take into account the value of the Securities which they hold as at 31 December each year, when calculating their Wealth Tax liabilities.

Inheritance and Gift Tax

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

Warrants

Personal Income Tax

The premium or amount paid for the subscription of the Warrants would not be considered as a deductible expense, but as the acquisition value, which would include the expenses and commissions, inherent to the acquisition, paid by the acquirer.

Income obtained by the holders of the Warrants covered by this Prospectus on their transfer before the expiration date, will be considered as capital gains or losses in accordance with the provisions of the Spanish Personal Income Tax Law. The gain or loss shall be calculated as a difference between the transfer value, once any expenses and commissions paid by the taxpayer have been deducted, and the acquisition value, as defined above.

Upon the exercise of the Warrants, income obtained would be considered as a capital gain or loss, which will be calculated as the difference between (i) the Settlement Price or the value of the Physical Delivery Securities, once any expenses and commissions paid by the taxpayer have been deducted, and (ii) the acquisition value, as defined above.

Failure to exercise any Warrants on the expiration date would give rise to a capital loss on the acquisition value.

Income derived from the transfer or exercise of the Warrants will be included in the savings part of the taxable income generally subject to Personal Income Tax at the following tax rates: financial income up to €6,000 will be taxed at a rate of 19 per cent and the excess over such threshold will be subject to a tax rate of 21 per cent. However, exceptionally during the tax periods 2012 and 2013, the savings income tax base will be taxed at the following rates: (i) 21 per cent. up to €6,000; (ii) 25 per cent. from €6,001 up to €24,000; and (iii) 27 per cent. on any amount exceeding €24,000.

Wealth Tax

In accordance with Royal Decree-law 13/2011 of 16 September, Wealth Tax has come into effect for the tax periods 2011 and 2012. Wealth Tax is levied on the net worth of an individual's assets and rights. The marginal rates range between 0.2 per cent. and 2.5 per cent. and some reductions could apply. Individual with tax residency in Spain who are under the obligation to pay Wealth Tax must take into account the value of the Securities which they hold as at 31 December each year, when calculating their Wealth Tax liabilities.

Inheritance and Gift Tax

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

Legal Entities with Tax Residence in Spain

Certificates

Corporate Income Tax

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the Certificates obtained by entities which are resident for tax purposes in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate for limited liability companies is currently 30 per cent. However, small sized companies (those companies whose net business income is lower than €10,000,000) can benefit from the reduced tax rate of 25 per cent. on the first €300,000 of their taxable profits. In addition to this, during the tax period 2012, companies with a net business income lower than €5,000,000 and an average staff of 25 employees could benefit from the reduced rate of 20 per cent. on the first €300,000 of their taxable profits, being the rest of the taxable profits subject to a tax rate of 25 per cent. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Securities, if any.

Warrants

As a general rule, income obtained either through the transfer or the exercise of the Warrants and obtained by taxpayers subject to Corporate Income Tax will be included in their taxable income under the general provisions described for Certificates.

Individuals and legal entities with no Tax Residence in Spain

Certificates

A non-resident holder of Certificates, who has a permanent establishment in Spain to which such Certificates are effectively connected with, is subject to Spanish Non-Residents' Income Tax on any income under the Certificates, including both interest periodically received and income arising on the disposal, redemption or reimbursement of the Certificates. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to Corporate Income taxpayers (explained above).

Warrants

As a general rule, income obtained by a permanent establishment located in Spain of a non-resident would be subject to taxation in a similar way than that applicable to Spanish tax resident corporate income taxpayers.

Spanish withholding tax

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the Certificates or intervenes as manager in the collection of any income under the Certificates, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the Certificates (income from Warrants will always be not subject to withholding tax in Spain). The current withholding tax rate in Spain is 19 per cent. However, in principle during the tax periods 2012 and 2013 exclusively, the withholding tax rate applicable is 21 per cent.

Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish tax resident individuals, or against final Spanish Corporate Income Tax liability, in the case of Spanish corporate, or against final Non-Residents' Income Tax, in the case of a Spanish permanent establishment of a non-resident holder of the Certificates. However, holders of the Certificates who are Corporate Income Taxpayers or Non-Residents' Income Taxpayers acting through a permanent establishment in Spain to which the Certificates are effectively connected with can benefit from a withholding tax exemption when the Certificates are listed in an OECD official stock exchange. This will be the case as the Certificates are expected to trade on the Luxembourg Stock Exchange's Regulated Market.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the Regulations on Spanish Personal Income Tax (Royal Decree 439/2007, of 30 March) and Corporate Income Tax (Royal Decree 1777/2004, of 30 July) when intervening in the transfer or reimbursement of the Certificates.

Indirect taxation

The acquisition, transfer, redemption, reimbursement and exchange of the Securities will be exempt from Transfer Tax and Stamp Duty as well as Value Added Tax.

8. Taxation in the United Kingdom

The following applies only to persons who are the beneficial owners of Securities and is a general discussion of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments in respect of the Securities and United Kingdom stamp duty and stamp duty reserve tax only. It does not deal with any other United Kingdom

taxation implications of acquiring, holding or disposing of Securities. The United Kingdom tax treatment of prospective Securityholders depends on their individual circumstances and may be subject to change in the future. Prospective Securityholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Withholding Tax

Payments made in relation to a Security (including payments made on the exercise of Securities) may be made without deduction or withholding on account of United Kingdom income tax where such payments are (i) not regarded as arising in the United Kingdom for United Kingdom tax purposes and (ii) not treated as payments of interest or annual payments for United Kingdom tax purposes.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

References in section (i) below to "Securities" include a Global Security.

(i) Issue of a Global Security into Euroclear or Clearstream, Luxembourg

A charge to stamp duty at 1.5 per cent. by reference to the amount of consideration given for the Securities or, in the case of a Global Security, 1.5 per cent. of the consideration given for the Securities represented by that Global Security, will arise if such Securities are issued in the United Kingdom and are denominated in sterling. No stamp duty liability will arise on the issue of sterling denominated Securities if issued outside the United Kingdom. However, in relation to sterling denominated Securities originally issued outside the United Kingdom, on the first transfer by delivery in the United Kingdom of any such Security, a stamp duty liability at 1.5 per cent. will arise.

No SDRT is payable on the issue, into Euroclear or Clearstream, Luxembourg, of a Security.

(ii) Transfer within Euroclear or Clearstream

No United Kingdom stamp duty should be required to be paid on the transfer of any Securities within Euroclear or Clearstream, Luxembourg provided no instrument is used to complete the transfer.

No United Kingdom SDRT should be payable on the transfer of any Securities within Euroclear or Clearstream, Luxembourg provided that no election has been made under which the alternative system of charge (as provided for in section 97A Finance Act 1986) applies to the Securities.

(iii) Exercise

No United Kingdom stamp duty or SDRT should be payable on the exercise of Cash Settled Securities. However, United Kingdom stamp duty and SDRT may be payable in relation to the exercise of a Physical Delivery Security.

Reporting of information

In relation to any Security under which any amounts which are characterised as interest are payable, Securityholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Securityholder. HMRC also has the power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Securities which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates

that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on the redemption of Securities which are deeply discounted securities where such amounts are paid on or before 5 April 2013. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Securityholder is resident for tax purposes.

9. EU Savings Directive

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

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

OFFERING AND SALE

No action has been or will be taken by the Issuer that would permit a public offering of any Securities or possession or distribution of any offering material in relation to any Securities in any jurisdiction where action for that purpose is required. No offers, sales, resales or deliveries of any Securities, or distribution of any offering material relating to any Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer.

United States

No Securities of any series nor, in the case of Physical Delivery Securities, the Entitlement to be delivered upon the exercise of such Securities have been, or will be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or under any state securities laws and trading in the Securities has not been approved by the Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended. The Securities are only being offered and sold pursuant to the registration exemption contained in Regulation S under the Securities Act. No Securities of any series, or interests therein, may at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (the **United States**) or directly or indirectly offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered to, or for the account or benefit of, any "U.S. person" as such term may be defined in Regulation S under the Securities Act. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each Manager of an issue of Securities will be required to agree that it, its affiliates and any person acting on its or their behalf will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Securities of such series in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Each Manager of an issue of Securities will be required to agree that it, its affiliates, and any person acting on its or their behalf will not offer or sell the Securities at any time except in accordance with Rule 903 of Regulation S under the Securities Act, and that neither it, its affiliates, nor any persons acting on its or their behalf will engage in any directed selling efforts with respect to the Securities and it and they will comply with the offering restrictions requirements of Regulation S under the Securities Act. The terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Any person purchasing Securities of any series must agree with the Manager or the seller of such Securities that (i) it is not a U.S. person and it is not located in the United States and was not solicited to purchase the Securities while present in the United States, (ii) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Securities of such series so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of any, U.S. person, (iii) it is not purchasing any Securities of such series for the account or benefit of any U.S. person and (iv) it will not make offers, sales, resales, trades, pledges, exercises, redemptions, transfers or deliveries of any Securities of such series (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. Each Manager of an issue of Securities will also be required to agree, and any person purchasing Securities of any series must agree, to send each person who purchases any Securities of such series from it at or prior to confirmation of sale of any Securities, a written confirmation (which shall include the definitions of "United States" and "U.S. persons" set forth herein) stating that the Securities have not been registered under the Securities Act or any state securities laws, and trading in the Securities has not been approved by the Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended, and stating that such purchaser agrees that it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. Prior to the

delivery of the Entitlement in respect of a Physical Delivery Security the holder thereof will be required to represent that, *inter alia*, he is not a U.S. person, the Security was not exercised on behalf of a U.S. person and in the case of Physical Delivery Securities, no securities or other property have been or will be delivered within the United States or to, or the account or benefit of, a U.S. person in connection with any exercise thereof. See Condition 17(A) in respect of Warrants and Condition 20(A) in respect of Certificates.

The Securities are also subject to U.S. tax law requirements and, except in certain transactions permitted by U.S. Treasury regulations, may not be offered, sold or delivered within the United States or its possessions or to United States persons. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) the Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto may not be offered to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, such Securities may be offered to the public in that Relevant Member State:

- (a) if the final terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to the prior consent of the relevant Manager(s) nominated by the Issuer for any such offer having been obtained; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (d) above shall require the publication by the Issuer or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive or the supplementing by the Issuer or any Manager of a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Securities to the public** in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU..

Republic of Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter *b*) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of the Base Prospectus or any other document relating to the Securities in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**);
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) or (ii) above, the subsequent distribution of the Securities on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Securities being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) may only be communicated or caused to be communicated in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Securities which have a maturity of less than one year (i) will only be sold by 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) will not be offered or sold other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 where the issue of the Securities would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

All applicable provisions of the FSMA must be complied with in respect to anything done in relation to any Securities in, from or otherwise involving, the United Kingdom.

The Grand Duchy of Luxembourg

In addition to the cases described in the Public Offer Selling Restriction under the Prospectus Directive (above) in which the Manager or, as the case may be, the Managers can make an offer of Securities to the public in an EEA Member State (including the Grand Duchy of Luxembourg (**Luxembourg**)), the Manager or, as the case may be, the Managers can also make an offer of Securities to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de surveillance du secteur financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

Portuguese Republic

The Manager or, as the case may be, each Manager, and each further Manager appointed under the Programme and each other purchaser will be required to represent and agree, that the Securities might be offered to the public in Portugal under circumstances which are deemed to be a public offer (*oferta pública*) under the Portuguese Securities Code (*Código dos Valores Mobiliários* (the **CVM**)) enacted by Decree Law no. 486/99 of November 13, as amended, subject to the fulfilment of the requirements and provisions applicable to public offerings in Portugal. Each Manager has represented that, unless the requirements and provisions applicable to public offerings and private placements in Portugal, as the case may be, including Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* (the **CMVM**)) Regulation 1/2009 on complex financial products, are met, (i) no document, circular, advertisement or any offering material in relation to the Securities has been or will be subject to approval by the CMVM; (ii) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Securities in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (iii) it has not, directly or indirectly, distributed, made available or caused to be distributed and will not, directly or indirectly, distribute, make available or cause to be distributed the Base Prospectus or any document, circular, advertisements or any offering material in Portugal. Each Manager further represents and agrees, and each further Manager appointed under the Programme shall represent and agree, that (i) all offers, sales and distributions by it of the Securities have been and will only be made in Portugal in circumstances that, pursuant to the CVM, qualify as a private placement of Securities (*oferta particular*), all in accordance with the CVM and CMVM Regulation 1/2009 on complex financial products, unless the requirements and provisions applicable to public offerings in Portugal are met; and (ii) pursuant to the CVM the private placement in Portugal or with Portuguese residents of Securities by public companies (*sociedades abertas*) or by companies that are issuers of securities listed on a market needs to be notified to the CMVM for statistical purposes; and (iii) it will comply with all applicable provisions of the CVM and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer, placement or sales of Securities by it in Portugal. Each Manager has agreed that it shall comply with all

applicable laws and regulations in force in Portugal, including (without limitation) the CVM, the CMVM Regulations and the Prospectus Regulation implementing the Prospectus Directive, regarding the offering, advertisement, distribution, submission to an investment-gathering procedure, sale, re-sale, re-offering or delivering of the Securities in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be, and that such actions shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Germany

The Securities may only be offered in Germany in compliance with the Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other applicable German laws.

General

With regard to each issue of Securities, the relevant Manager will be required to comply with such other additional restrictions as the Issuer shall determine as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

(1) Authorisation

The establishment of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 9 May 2012.

(2) Listing, Approval and Admission to Trading

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

The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Issuer may also list Securities on the Italian Stock Exchange and admit such Securities to trading on the electronic "Securitised Derivatives Market" organised and managed by Borsa Italiana S.p.A. (the **SeDeX**).

Securities may be issued under the Programme which are not listed or admitted to trading, as the case may be, on the Luxembourg Stock Exchange or any other stock exchange or market, or Securities may be issued which are listed or admitted to trading, as the case may be, on such other stock exchange or markets as the Issuer may specify in the applicable Final Terms.

(3) Documents Available

For so long as any Securities remain outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified offices of the Principal Security Agent in Luxembourg and the registered office of the Issuer:

- (i) the constitutional documents of the Issuer;
- (ii) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2011 and 2010 and the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2011 and 2010;
- (iii) the most recently published audited annual consolidated and non-consolidated financial statements and the most recently published unaudited semi-annual consolidated and non-consolidated financial statements (if any) of the Issuer;
- (iv) the Agency Agreement and the forms of the Global Securities;
- (v) a copy of this Base Prospectus;
- (vi) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Security which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Security and such holder must produce evidence satisfactory to the Issuer and the relevant Security Agent as to its holding of Securities and identity) and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Securities subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

A copy of this Base Prospectus (and the information incorporated by reference therein) and any Final Terms that are listed on the Luxembourg Stock Exchange will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any Final Terms that are not listed on the Luxembourg

Stock Exchange but which relate to a Security which is offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be published on the website of the Issuer (www.bancaimi.com).

(4) Clearing Systems

Securities to be represented by a Global Security have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The common code and ISIN for each issue of Securities allocated by Euroclear and Clearstream, Luxembourg, as applicable, will be specified in the applicable Final Terms. If the Securities of any series are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

(5) Conditions for determining price

The price and amounts of Securities to be issued under the Programme will be determined by the Issuer and any Manager(s) at the time of issue in accordance with prevailing market conditions.

(6) Significant or Material Adverse Change

There has been no significant change in the financial position of the Issuer since 31 December 2011 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.

(7) Litigation

Save as disclosed in this Base Prospectus under "*Description of the Issuer – Legal and Arbitration Proceedings*", the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

(8) Post-issuance Information

Save as set out in any Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any index (or basket of indices), share (or basket of shares), commodity (or basket of commodities), debt instrument (or basket of debt instruments), currency (or basket of currencies), fund (or basket of funds) reference entity or reference entities or any other asset or basis of reference in relation to any issue of Securities constituting Derivative Securities (as such term is used in the Commission Regulation (EC) No. 809/2004).

(9) External Auditors

Reconta Ernst and Young S.p.A., with registered office at Via G. D. Romagnosi 18/A, 00196 Rome, registered at No. 2 on the Special Register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of Legislative Decree No. 58 of 24 February 1998 (Unified Text of the Rules for the Capital Markets) and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992 was appointed by the Issuer as its independent auditor to audit its financial statements for the period 2007-2011. Reconta Ernst & Young

S.p.A. is a member of *Assirevi - Associazione Nazionale Revisori Contabili*, the Italian association of auditing firms.

The Issuer's shareholders' general meeting held on 20 December 2011 resolved to appoint KPMG S.p.A. with registered office at Via V. Pisani, 25, 20121 Milan, enrolled with the Register of Auditors and with the Special Register kept by CONSOB, as independent auditors of the Issuer for the nine year period 2012 – 2020. KPMG S.p.A. is a member of *Assirevi-Associazione Nazionale Revisori Contabili*, the Italian association of auditing firms.

THE ISSUER

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Largo Mattioli, 3
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CALCULATION AGENT

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as to English law and Italian law

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