Prospectus dated 4 August 2011

PALLADIUM SECURITIES 1 S.A.

(a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, with its registered office at 2, boulevard Konrad Adenauer, L-1115 Luxembourg, registered with the Luxembourg trade and companies register under number B.103.036 and subject as a regulated securitisation undertaking to the Luxembourg act dated 22 March 2004 on securitisation, as amended)

(acting in respect of Compartment 64-2011-06)

Up to EUR 100,000,000 Series 64 Range Accrual Notes due 31 March 2016 linked to the EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società Cooperativa

to be issued under the Programme for the Issuance of Debt Instruments and Beneficiary Shares of Palladium Securities 1 S.A. (the **Programme**)

Palladium Securities 1 S.A. (the **Company**, and acting in respect of Compartment 64-2011-06, the **Issuer**) will issue on or about 30 September 2011 (the **Issue Date**) up to EUR 100,000,000 Series 64 Range Accrual Notes due 31 March 2016 (the **Notes**) and linked to the EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società Cooperativa (the **Collateral**). The Notes will be issued in respect of a separate compartment (**Compartment 64-2011-06**) created by the board of directors of the Company (the **Board**).

The Company is subject to the Luxembourg act dated 22 March 2004 on securitisation, as amended (the **Securitisation Act 2004**) and the Board has created Compartment 64-2011-06 in respect of the Notes to which all assets, rights, claims and agreements relating to the Notes will be allocated. Each holder of Notes (each a **Noteholder**) is bound by the subordination waterfall and the priority of payment provisions included in the issuance documentation relating to the Notes. Furthermore, each Noteholder only has recourse to the assets of Compartment 64-2011-06 and not to the assets allocated to other compartments created by the Company. Once all the assets allocated to Compartment 64-2011-06 have been realised, a Noteholder is not entitled to take any further steps against the Issuer to recover any further sums due and the right to receive any such sum shall be extinguished. Noteholders are not entitled to attach or otherwise seize the assets of the Issuer allocated to Compartment 64-2011-06 or to other compartments of the Company or other assets of the Company. In particular, no Noteholder shall be entitled to petition or take any other step for the winding-up, liquidation or bankruptcy of the Issuer, or any similar insolvency related proceedings.

The terms and conditions of the Notes are governed by English law.

Furthermore, the terms and conditions of the Notes are complex. An investment in the Notes is suitable only for experienced and financially sophisticated investors who are in a position to evaluate the risks and who have sufficient resources to be able to bear any losses which may result from such investment.

Prospective purchasers of the Notes should ensure that they understand fully the nature of the Notes, as well as the extent of their exposure to risks associated with an investment in the Notes and should consider the suitability of an investment in the Notes in the light of their own particular financial, fiscal and other circumstances. Prospective purchasers of the Notes should refer to the "Risk Factors" section of this Prospectus.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (**CSSF**) in its capacity as competent authority under the Luxembourg act dated 10 July 2005 relating to prospectuses for securities for the approval of this prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive and the Luxembourg act dated 10 July 2005 relating to prospectuses.

The Notes are expected to be rated on or about the Issue Date by one or more of Standard & Poor's Credit Market Services Europe Limited (**S&P**), Moody's Investor Service Ltd. (**Moody's**) and Fitch Ratings Ltd. (**Fitch**). S&P, Moody's and Fitch are credit rating agencies established in the European Union, which have each submitted an application for the registration in accordance with Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies although the result of such application has not yet been provided by the relevant competent authority.. **Prospective purchasers of the Notes should note that no assurance is given that the Notes will have a particular rating, or any rating at all, on or about the Issue Date.**

*The Issuer (the **Responsible Person**) accepts responsibility for the information contained in this 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained in the sections entitled "Description of the Collateral and the Collateral Issuer" and "Description of the Hedging Agreement and Hedging Counterparty" has been reproduced from information of which the Issuer is aware and/or is able to ascertain from information published by Banco Popolare – Società Cooperativa. as the issuer of the Collateral and Deutsche Bank AG, acting through its London Branch as the Hedging Counterparty, respectively. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by Banco Popolare – Società Cooperativa as the issuer of the Collateral and the Hedging Counterparty, respectively, no facts have been omitted which would render the reproduced information inaccurate or misleading. The information contained in the section entitled "Description of the Collateral and the Collateral Issuer", has been reproduced from information contained in the base prospectus (as approved as a base prospectus for the purposes of the Prospectus Directive by the CSSF) dated 7 March 2011 (being the most recent Base Prospectus issued by Banco Popolare – Società Cooperativa in connection with its programme for issuance of Italian law governed covered bonds), as supplemented from time to time (the **BP Base Prospectus**). The BP Base Prospectus is published in electronic form on the website of Luxembourg Stock Exchange (www.bourse.lu) and on the website www.bancopopolare.it. The information contained in the section entitled "Description of the Hedging Agreement and Hedging Counterparty" has been reproduced from information contained on the website of the Hedging Counterparty and the terms of the Hedging Agreement (as defined below) and other information made available to the Issuer.*

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1. SUMMARY

The information set out below is a summary only and should be read in conjunction with the rest of this Prospectus. This summary is intended to convey the essential characteristics and risks associated with the Issuer, and in relation to the Notes and does not purport to be complete. It is taken from, and is qualified in its entirety by, the remainder of this Prospectus, including the Conditions, which constitute the legally binding conditions of the Notes. Accordingly, this summary should be read as an introduction to the Prospectus, and any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by an investor.

Prospective investors should be aware that where a claim relating to the information contained in this Prospectus is brought before a court, the investor making the claim might, under the national legislation of the respective EU member state, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to the Issuer who has tabled the summary including the translation thereof and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1.1 Summary of Risk Factors

(a) Issuer Risk Factors

There are certain factors that are specific to the Issuer which may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective investors should consider all information provided in this Prospectus and any supplement thereto and should consult with their own professional advisers if they consider it necessary. The following describes risk factors relating to the Issuer's ability to meet its obligations under the Notes.

Securitisation Act 2004 and Compartments

The Company is established as a *société de titrisation agréée* (regulated securitisation company) within the meaning of the Securitisation Act 2004 which provides that claims against the Company by holders of each series of notes or other instruments (**Instruments**) issued by the Company will be limited to the assets of the relevant series included in the relevant Compartment. Further, under the Securitisation Act 2004, the proceeds of the series assets of the relevant Compartment for each series are in principle available only for distribution to the specified holders of Instruments (each an **Instrumentholder**) and other parties relating to such series (each such party, a **Series Party**). A party may have claims against the Company in respect of more than one series, in which case the claims in respect of each individual series will be limited to the Compartment Series Assets relating to such series only.

The Board may establish one or more compartments (together the **Compartments** and each a **Compartment**) each of which is a separate and distinct part of the Company's estate (*patrimoine*) and which may be distinguished by the nature of acquired risks or assets, the conditions of the Instruments issued in relation to the Compartment, the reference currency or other distinguishing characteristics. The rights of holders of Instruments issued in respect of a Compartment and the rights of creditors are limited to the assets of that Compartment, where these rights relate to that Compartment or have arisen at the occasion of the constitution, the operation or the liquidation of the relevant Compartment. The assets of a Compartment are available only to satisfy the rights of holders of Instruments issued in relation to that Compartment and the rights of creditors whose claims have arisen at the occasion of the constitution, the operation or the liquidation of that Compartment.

In respect of the issue of Notes described in this Prospectus the Company has established Compartment 64-2011-06. The Series Assets which are allocated to Compartment 64-2011-06 will be in principle available only to satisfy the claims of the Noteholders and the other Series Parties in relation to Compartment 64-2011-06. Potential investors should note that only the assets allocated to Compartment 64-2011-06 will be available to satisfy their claims as set out in more detail in the following section entitled "Limited Recourse". The Series Assets in respect of the Notes to be issued under this Prospectus will be: (i) the Issuer's rights under a hedging agreement (the **Hedging Agreement**) entered into by the Issuer with Deutsche Bank AG, acting through its London Branch (the **Hedging Counterparty**), (ii) a holding of the Collateral issued by Banco Popolare – Società Cooperativa (the **Collateral Issuer**), and (iii) the rights of the Issuer under an agency agreement (the **Agency Agreement**) and a purchase agreement (the **Purchase Agreement**) relating to the Series. **Should these assets not be sufficient to meet amounts payable under the Notes, Noteholders will suffer a loss of their invested capital and/or any interest payments which may be a complete loss.**

Limited Recourse

The right of Noteholders to participate in the assets of the Company is limited to the Series Assets which are allocated to Compartment 64-2011-06 of the Issuer. If the payments received by the Issuer in respect of the Series Assets are not sufficient to make all payments due in respect of the Notes, then the obligations of the Issuer in respect of the Notes will be limited to the Series Assets of Compartment 64-2011-06.

The Issuer will not be obliged to make any further payment for any Notes in excess of amounts received upon the realisation of the Series Assets. Following application of the proceeds of realisation of the Series Assets in accordance with the Conditions of the Notes, the claims of the Noteholders, the Hedging Counterparty and the other Series Parties for any shortfall shall be extinguished and the Noteholders, the Hedging Counterparty and the other Series Parties (and any person acting on behalf of any of them) may not take any further action to recover such shortfall.

None of the Noteholders and the other Series Parties will be able to petition or take any other step, for the winding-up, liquidation or the bankruptcy of the Issuer or any other similar insolvency related proceedings. Failure to make any payment in respect of any such shortfall shall in no circumstances constitute an event of default under the Conditions of the Notes. Any shortfall shall be borne by the Noteholders, the Hedging Counterparty and the other Series Parties according to the priorities specified in the Conditions of the Notes. In particular, claims of the Trustee, any receivers, the Hedging Counterparty and the Principal Agent rank prior to Noteholder claims.

Substitution of the Issuer

Under the Conditions of the Notes the Trustee may, subject to the prior written consent of the Hedging Counterparty but without the consent of the Noteholders, substitute the Issuer as principal obligor under the Series Instrument and all of the Notes then outstanding with any other company (the **Substitute Company**) provided that certain conditions are met and such substitution would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. The substitution will be notified to Noteholders in accordance with Condition 15. It is one of the conditions to a substitution of the Issuer that the Substitute Company undertakes to be bound by the terms of the Series Instrument and the Conditions of the Notes. The Substitute Company must also acquire the Series Assets and acknowledge the security created over the Series Assets.

Prospective investors should note that in the case of such substitution the Issuer will be released from any and all of its obligations in respect of the Notes and any relevant agreements and that Noteholders will only be able to claim any amounts payable under the Notes from the Substitute Company.

(b) Risks relating to the Notes

General Risks

An investment in the Notes involves risks. These risks may include, among others, equity market, bond market, foreign exchange, interest rate, market volatility and economic, political and regulatory risks and any combination of these and other risks. Prospective purchasers should be experienced with respect to transactions in instruments such as the Notes and transactions referencing the 3-month EURIBOR® rate.

An investment in the Notes further involves credit risks with respect to the Collateral which consists of fixed rate *obbligazioni bancarie garantite* (covered bonds) issued by Banco Popolare – Società Cooperativa and with respect to Deutsche Bank AG, acting through its London Branch as Hedging Counterparty.

Prospective purchasers should understand the risks associated with an investment in the Notes and should only reach an investment decision after careful consideration, with their legal, tax, accounting and other advisers, of (a) the suitability of an investment in the Notes in the light of their own particular financial, tax and other circumstances, (b) the information set out in this Prospectus, (c) the Underlying Floating Interest Rate and the Interest Rate and (d) the Collateral, the Hedging Agreement and the other Series Assets.

The Notes may decline in value and investors should be prepared to sustain a total loss of their investment in the Notes.

An investment in the Notes should only be made after assessing, amongst other things, the direction, timing and magnitude of potential future changes in the value of the 3-month EURIBOR® rate, and/or in the composition or method of calculation of such rate, as the return of any such investment will be dependent, amongst other things, upon such changes. More than one risk factor may have simultaneous effect with regard to the Notes such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Notes.

Risks in connection with the Interest Rate, the Collateral and the Hedging Agreement

During the period from and including the Issue Date to but excluding the first Interest Accrual Date and each successive period thereafter from and including an Interest Accrual Date to but excluding the next following Interest Accrual Date (each, an **Interest Period**), the Notes pay interest at a rate determined by reference to how often during the relevant Interest Period the 3 month EURIBOR® rate is greater than or equal to 1.00 per cent. per annum and less than or equal to 4.50 per cent. per annum. Floating interest rates (such as the 3-month EURIBOR® rate) are determined by factors of supply and demand in the international money markets which are influenced by macro economic factors, speculation and central bank and government intervention. The value of the Notes, on any day, is related to market levels of interest rates applicable to deposits denominated in Euros at such time. Fluctuations in short term and/or long term interest rates may affect the value of the Notes.

Investors should also note that repayment of their investment in the Notes is contingent upon the performance of the Collateral and the Hedging Agreement. **In the event that there is a default by any issuer of any of the Collateral or the Hedging Counterparty under the Hedging Agreement, or any of the Collateral is otherwise redeemed or liquidated prior to its scheduled maturity or the Hedging Agreement is otherwise terminated, investors in the Notes may receive less than their initial investment in the Notes and may receive nothing.**

Subordination; Limited Recourse

Investors in the Notes are subordinated in their claims to the rights of certain other parties (being the Trustee, any receivers, the Hedging Counterparty and the Principal Agent) and all rights of recourse of Noteholders are limited to the assets of the Series Assets.

1.2 Summary of the Principal Terms of the Offer

Issuer:	Palladium Securities 1 S.A. acting in respect of Compartment 64-2011-06. Palladium Securities 1 S.A. (the **Company**) is a regulated securitisation company (*société de titrisation agréée*) incorporated under the laws of the Grand Duchy of Luxembourg as a public limited liability company (*société anonyme*). The Company's activities are subject to the Securitisation Act 2004. The Company has received the approval (*agrément*) from the Luxembourg financial sector and stock exchange regulator, the *Commission de surveillance du secteur financier* (**CSSF**), as a regulated securitisation company under the Securitisation Act 2004. The board of directors of the Company (the **Board**) has created a separate compartment in respect of the Notes (**Compartment 64-2011-06**) to which all the assets and liabilities relating to the Notes will be allocated.
Arranger:	Deutsche Bank AG, acting through its London Branch
Purchaser:	Deutsche Bank AG, acting through its London Branch
Distributors:	Deutsche Bank S.p.A. and Finanza & Futuro Banca S.p.A.
Trustee:	Deutsche Trustee Company Limited The Trustee will hold on trust for itself and on behalf of the Noteholders, the Principal Agent, the Paying Agents, the Custodian, the Servicer, the Calculation Agent, the Selling Agent, the Purchaser and the Hedging Counterparty (all aforementioned parties together with the Trustee, the **Series Parties**) the security granted by the Issuer pursuant to the Series Instrument.
Form of Notes:	Bearer Notes
Aggregate Nominal Amount of Notes:	Up to EUR 100,000,000, subject to reduction following the Issue Date pursuant to Condition 5.2. The Aggregate Nominal Amount of Notes as of the Issue Date will be specified in the Series Instrument.
Denomination:	EUR 1,000
Issue Price:	100 per cent. of the Nominal Amount
Commission:	Up to 4.50 per cent. of the Nominal Amount payable by the Purchaser to the Distributors.
Series Assets:	(i) the EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società in an aggregate principal amount equal to the Aggregate Nominal Amount of Notes as of the Issue Date (such

	aggregate principal amount will be specified in the Series Instrument) (the **Collateral**), where Banco Popolare - Società Cooperativa is the **Collateral Issuer**; (ii) the Issuer's rights under the interest rate swap with Deutsche Bank AG, acting through its London Branch as counterparty (the **Hedging Counterparty**), pursuant to which: (a) on the Issue Date, the Issuer will pay the proceeds of the issuance of the Notes to the Hedging Counterparty in exchange for delivery of the Collateral; and (b) the Issuer is obliged to pay to the Hedging Counterparty the interest payments and principal payments it is scheduled to receive under the Collateral and the Hedging Counterparty is obliged to pay to the Issuer interest and principal amounts equal to the aggregate interest and principal amounts payable by the Issuer under the Notes (the **Hedging Agreement**); (iii) all rights of the Issuer under the Agency Agreement and the Purchase Agreement. Payments received under the Series Assets will be paid to the account of the Issuer with the Custodian and will be used to pay amounts in respect of the Hedging Agreement and to pay Interest Amounts and Redemption Amounts payable in respect of the Notes.
Security:	The Notes are secured under the Series Instrument by the following security created over the Series Assets in favour of the Trustee on behalf of the Series Parties: (a) (i) a first fixed charge and/or assignment by way of first fixed charge of the Collateral and all of the Issuer's rights in respect of and sums derived from the Collateral (including, without limitation, any proceeds of the sale thereof) and (ii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights in respect of the Collateral against the Custodian; (b) an assignment by way of first fixed charge of all of the Issuer's rights, title and interest under the Hedging Agreement and any sums of money received or receivable by the Issuer thereunder; (c) a first fixed charge over (i) the Issuer's right to all sums held by the Principal Agent and/or any Paying Agent and/or the Custodian to meet payments due in respect of the Notes or under the Series Instrument and (ii) any sums of money received or receivable by the Issuer under the Hedging Agreement; (d) an assignment by way of first fixed charge of all of the Issuer's rights, title and interest under the Agency Agreement and the Purchase Agreement and all sums derived therefrom in respect of the Notes.
Compartment:	A separate compartment (referred to as "**Compartment 64-2011-06**") has been created by the Board in respect of the Notes. Compartment 64-2011-06 is a separate part of the Company's assets and liabilities. The Series Assets are exclusively available to satisfy the rights of the holders of the Notes and the rights of the creditors whose claims have arisen at the occasion of the creation, the operation or the liquidation

	of Compartment 64-2011-06, as contemplated by the articles of association of the Company (the **Articles**).
Public Offer:	The Notes may be offered to the public in the Republic of Italy by Deutsche Bank S.p.A. of Piazza del Calendario 3, 20126, Milan, Italy and Finanza & Futuro Banca S.p.A. of Piazza del Calendario 1, 20126, Milan, Italy (each a **Distributor** and together with any other entities appointed as a distributor in respect of the Notes, the **Distributors**) during the period from 17 August 2011 to 28 September 2011 during the hours in which banks are generally open for business in the Republic of Italy (the **Offer Period**). The offer of the Notes is conditional on their issue. The Issuer reserves the right for any reason to close the Offer Period early. Notice of early closure will be made to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu), on the website www.it.investmentprodukte.db.com and in accordance with the relevant Distributor's usual procedures. The Issuer reserves the right to withdraw the offer and/or cancel the issuance of the Notes for any reason at any time on or prior to the Issue Date. Notice of such withdrawal or cancellation of the issuance of the Notes will be made to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu), on the website www.it.investmentprodukte.db.com and in accordance with the relevant Distributor's usual procedures. The Issuer reserves also the right to appoint other distributors during the Offer Period, which will be communicated to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website www.it.investmentprodukte.db.com. Amendments to the offer during the Offer Period will be notified to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu), on the website www.it.investmentprodukte.db.com and in accordance with the relevant Distributor's usual procedures. The Notes will be offered at the Issue Price (100 per cent. of the Aggregate Nominal Amount), of which up to 4.50 per cent. is represented by a commission payable to the Distributors. The minimum allocation per investor will be equal to EUR 1,000 in principal amount of the Notes. There are no pre-identified allotment criteria. All of the Notes requested through the Distributors during the Offer Period will be assigned up to the maximum amount of the offer. Each investor will be notified by the relevant Distributor of its allocation of Notes after the end of the Offer Period and before the Issue Date. The Issuer will in its sole discretion determine the final amount of the Notes to be issued (which will be dependent on the outcome of the offer), up to a limit of EUR 100,000,000. The precise Aggregate Nominal Amount of Notes to be issued will be published on the

	website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website www.it.investmentprodukte.db.com on or around the Issue Date. Notice of the precise Aggregate Nominal Amount of Notes to be issued will also be given to the CSSF. For provisions and restrictions relating to offers of Notes to the public in the European Economic Area, see "Subscription and Sale–Public Offer".
Issue Date:	30 September 2011
Maturity Date:	31 March 2016, provided that if such date is not a Business Day, the Maturity Date shall be the first following day that is a Business Day.
Redemption Amount:	100 per cent. of the Nominal Amount per Note.
Interest/Payment Basis:	The Notes bear interest at a rate (the **Interest Rate**) calculated as follows: (i) 3.90 per cent. per annum; multiplied by (ii) N divided by D, where: **N** means the number of calendar days in the relevant Interest Period on which the 3-month EURIBOR® rate is greater than or equal to 1.00 per cent. and less than or equal to 4.50 per cent.; and **D** means the actual number of calendar days in the relevant Interest Period. The level of the 3-month EURIBOR® rate will be determined by the Calculation Agent in respect of each Business Day during each Interest Period by reference to the Reuters screen page EURIBOR01, subject to certain fallback provisions. For any calendar day that is not a Business Day, the applicable rate shall be the rate published or otherwise determined by the Calculation Agent on the immediately preceding Business Day.
Interest Amount:	In respect of each Interest Period, the interest amount payable in euro per Note will be calculated by the Calculation Agent on the basis of the following formula: Interest amount in euro = Nominal Amount per Note in euro * Interest Rate * Day Count Fraction The Agency Agreement provides that once the Interest Amount is calculated, the Calculation Agent will cause such amount to be notified to *inter alios*, the Issuer, the Trustee, the Principal Agent, each Paying Agent, the Noteholders and the Arranger. The Interest Amount will be notified to Noteholders in accordance with Condition 15.
Interest Period:	The period from (and including) the Issue Date to (but excluding) the

	first Interest Accrual Date, and each time period from (and including) an Interest Accrual Date until (but excluding) the next following Interest Accrual Date until the final Interest Accrual Date.
Interest Accrual Date	31 March, 30 June, 31 September and 31 December in each year commencing on and including 31 December 2011 to and including the Maturity Date. If any Interest Accrual Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the first following day that is a Business Day.
Interest Payment Dates:	Each Interest Accrual Date.
Day Count Fraction:	The number of days in the relevant Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months each comprising 30 days unless (A) the last day of the Interest Period is the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a month comprising 30 days or (B) the last day of the Interest 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 month comprising 30 days).
Series:	The Notes form the single tranche of the series of notes issued by the Issuer under this Prospectus (the **Series of Notes**).
Mandatory Early Redemption:	The Notes will be subject to mandatory early redemption upon the occurrence of certain events (each, an **Early Redemption Event**) set out in the Conditions. Following the occurrence of any such event the Notes shall be redeemed and the Issuer shall pay the early termination amount (the **Early Termination Amount**) in respect of each Note. Such events include: (i) any of the Collateral becomes repayable or becomes capable of being declared due and repayable prior to its originally scheduled maturity date as a result of a default, an event of default or other similar event or any event or condition having substantially the same effect, (ii) a default or a potential default (including when a holder of any of the Collateral receives a notice stating that a payment will not be made on any scheduled payment date) in the payment of any amount due as principal, interest or otherwise under any of the Collateral without regard to any applicable grace period or deferral provisions that would defer the originally scheduled maturity date until a later date, (iii) any withholding or similar tax is imposed on amounts payable under all or any part of the Collateral or (iv) the Hedging Agreement is terminated in full prior to the Maturity Date. The Early Termination Amount payable per Note will be equal to a pro rata share of the proceeds from the realisation of the Series Assets after deduction of all prior ranking amounts (see "Application of Proceeds of Series Assets" below). Such amount may be lower than the Nominal Amount of the Notes and may be zero.
Application of Proceeds of Series Assets:	The Trustee will apply all moneys received by it in connection with the realisation or enforcement of the Series Assets in accordance with the following order of priority:

	- *first*, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts incurred by or payable to the Trustee or any receiver under or pursuant to the Series Instrument (which shall include any taxes required to be paid, the costs of realising any security and the Trustee's remuneration); - *secondly*, pro rata in payment of any amounts owing to: (i) the Hedging Counterparty under the Hedging Agreement (which shall include any amounts owing to the Custodian for reimbursement in respect of payments made to the Hedging Counterparty relating to sums receivable on or in respect of the Collateral) and all legal and other ancillary costs (including all costs (if any) in relation to the realisation of the Collateral) incurred by the Hedging Counterparty as a result of an Early Redemption Event; and (ii) the Principal Agent for reimbursement in respect of any payment made to holders of the Notes or to a Clearing Agent on behalf of such holders; - *thirdly*, pro rata in payment of any amounts owing to the holders of the Notes; and - *fourthly*, in payment of the balance (if any) to the Issuer.
Status:	The Notes will be limited recourse obligations of the Issuer, ranking *pari passu* without any preference among themselves. The Notes will also be secured in the manner described in Condition 6.3 (*Security*). Claims against the Issuer by Noteholders and each Series Party will be limited to the Series Assets applicable to the Series of Notes. If the net proceeds of the realisation of the Series Assets in respect of the Notes are not sufficient to make all payments due in respect of the Notes and due to each Series Party in relation to the Notes, no other assets of the Issuer will be available to meet such shortfall and the claims of the Noteholders or other Series Parties in respect of any such shortfall shall be extinguished and no party will be able to petition for the winding-up of the Issuer as a consequence of any such shortfall. Claims of the Noteholders in respect of the Series of Notes and each Series Party for such Series shall rank in accordance with Condition 6.5 (*Application of Proceeds of Series Assets*).
Negative Pledge/Restrictions:	There is no negative pledge. However, so long as any of the Notes remain outstanding, the Issuer will not, among other things, without the prior written consent of the Trustee incur any indebtedness for moneys borrowed or raised other than in respect of Permitted Investments or Permitted Indebtedness (each as defined in Condition 8.1.1), engage in any activity other than certain activities related to the Notes or any Permitted Investment or Permitted Indebtedness, as described in Condition 8 (*Restrictions*), have any employees, purchase, own or otherwise acquire any real property (other than by entering into a lease in respect of office premises, on a strictly limited recourse basis), consolidate or merge with any other person.
Cross Default:	None

Withholding Tax:	All payments by the Issuer in respect of the Notes shall be made subject to any tax, duty, withholding or deduction for, or on account of, any applicable taxation (see Condition 4.7 (*Taxation*)).
Fungible Issues:	The Issuer may from time to time issue further Notes on the same terms as the Notes issued hereunder and on terms that such further Notes shall be consolidated and form a single series with the Notes issued hereunder; provided that the Issuer shall provide additional assets to form part of the Series Assets and as security for such further Notes and existing Notes in accordance with Condition 14 (*Further Issues*).
Rating:	The Notes are expected to be rated on or about the Issue Date by one or more of Standard & Poor's Credit Market Services Europe Limited (**S&P**), Moody's Investor Service Ltd. (**Moody's**) and Fitch Ratings Ltd. (**Fitch**). S&P, Moody's and Fitch are credit rating agencies established in the European Union, which have each submitted an application for the registration in accordance with Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies although the result of such application has not yet been provided by the relevant competent authority. The rating of the Notes on or about the Issue Date will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website www.it.investmentprodukte.db.com on or about the Issue Date. No assurance is given that the Notes will have a particular rating, or any rating at all, on or about the Issue Date.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law. For the avoidance of doubt, articles 86 to 94-8 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended are excluded.
Approval, listing and admission to trading:	Application has been made to the CSSF to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market on or about the Issue Date. The Issuer reserves the right to apply for the Notes to be admitted to trading on the multilateral trading facility EuroTLX (managed by EuroTLX SIM S.p.A.). The Issuer is not a sponsor of, nor responsible for, the admission and trading of the Notes on the EuroTLX and no assurance can be given that any such application will be successful.
Selling Restrictions:	There are selling restrictions, both general and also specifically in relation to the United States, United Kingdom, the Republic of Italy and the European Economic Area.
Listing Agent	Deutsche Bank Luxembourg S.A.

Principal Agent:	Deutsche Bank AG, acting through its London Branch
Selling Agent	Deutsche Bank AG, acting through its London Branch
Paying Agent(s):	Deutsche Bank AG, acting through its London Branch and Deutsche Bank Luxembourg S.A.
Custodian:	Deutsche Bank Luxembourg S.A. The Custodian may appoint sub-custodians pursuant to the Agency Agreement.
Servicer:	Deutsche Bank Luxembourg S.A.
Calculation Agent:	Deutsche Bank AG, acting through its London Branch
Use of Proceeds:	The net proceeds from the issue of the Notes will be used by the Issuer to acquire the Collateral.
Estimated Net Proceeds:	100 per cent. of the Aggregate Nominal Amount of Notes as of the Issue Date.
Settlement:	Euroclear and Clearstream, Luxembourg.
ISIN: **Common Code:**	XS0654087831 065408783

1.3 Summary of Economic Terms

*The information contained in this section is intended to provide a general description of the economic nature of the Notes. It is qualified by the information set forth elsewhere in this Prospectus (in particular in the section "Terms and Conditions of the Notes" (the **Conditions**) which constitute the legally binding conditions of the Notes). Words used and not defined in this section have the meaning given to them in the Conditions. Prospective investors should read carefully and understand the Prospectus (in particular the Conditions and the section "Risk Factors" in this Prospectus) before making any decision to invest in the Notes. The Conditions specify among other things:*

- *The right of the holder of a Note to receive periodic interest payments (referred to as **Interest Amounts**) and how the Interest Amounts will be determined;*
- *How and when the level of the Underlying Floating Interest Rate is determined for the purposes of calculating an Interest Amount;*
- *The amount payable on redemption of the Notes; and*
- *How and when the Issuer may redeem the Notes early.*

(a) Rights under the Notes

The Notes represent the right to receive:

(i) interest payments (referred to as **Interest Amounts**) calculated by reference to how often during the relevant Interest Period the 3 month EURIBOR® rate (the **Underlying Floating**

Interest Rate) is greater than 1.00 per cent per annum and less than or equal to 4.50 per cent. per annum (the **Interest Rate**); and

(ii) a redemption amount of EUR 1,000 per Note which is equal to the Nominal Amount of each Note (the **Redemption Amount**) payable on the Maturity Date (scheduled to be 31 March 2016).

Interest Payments

Each Interest Amount payable will reflect the specified Nominal Amount of the Note, the Interest Rate and the day count fraction for the relevant Interest Period. An Interest Amount will be payable on each specified interest payment date (scheduled to be each Interest Accrual Date) (each such date an **Interest Payment Date**). For the purposes hereof **Interest Accrual Date** means 31 March, 30 June, 31 September and 31 December in each year commencing on and including 31 December 2011 to and including the Maturity Date, save that where any such date does not fall on a Business Day, it shall be postponed to the next day which is a Business Day.

The Underlying Floating Interest Rate will be determined by the Calculation Agent in respect of each Business Day during each Interest Period by reference to Reuters screen page: EURIBOR01, subject to certain fallback provisions in the event that such rate does not appear on Reuters screen page: EURIBOR01.

The Agency Agreement provides that once the Interest Amount is calculated, the Calculation Agent will cause such amount to be notified to, amongst others, the Issuer, the Trustee, the Principal Agent, each Paying Agent, the Noteholders and the Arranger. The Interest Amount will be notified to Noteholders in accordance with Condition 15.

Repayment of Notes at Maturity; Early Redemption

Unless previously redeemed for any of the reasons set out below, the Notes will be redeemed by the Issuer on the Maturity Date. The Issuer intends to repay the Notes from the proceeds that it has received from the redemption of the Collateral.

If (i) any of the Collateral becomes repayable or becomes capable of being declared due and repayable prior to its originally scheduled maturity date as a result of a default, an event of default or other similar event or any event or condition having substantially the same effect, (ii) a default or a potential default (including when a holder of any of the Collateral receives a notice stating that a payment will not be made on any scheduled payment date) in the payment of any amount due as principal, interest or otherwise under any of the Collateral without regard to any applicable grace period or deferral provisions that would defer the originally scheduled maturity date until a later date, (iii) any withholding or similar tax is imposed on amounts payable under all or any part of the Collateral or (iv) the Hedging Agreement is terminated in full prior to the Maturity Date, the Notes shall be mandatorily redeemed and the Series Assets shall be subject to realisation by the Selling Agent. The redemption amount (referred to as the **Early Termination Amount**) payable to Noteholders in these circumstances will be their pro rata share of the proceeds of realisation of the Series Assets after deduction of prior ranking amounts such as the costs and fees of the Trustee, the legal and ancillary costs of the Issuer and the Hedging Counterparty incurred as a result of the event causing such early redemption, and any outstanding claims of the Hedging Counterparty and the Principal Agent. Furthermore, potential investors should note that the Selling Agent will be able to deduct any of its commissions and/or expenses in connection with the realisation of the Series Assets from the proceeds of realisation of the Series Assets prior to the distribution of such proceeds to the other Series Parties.

Deductions due to taxes, duties, expenses

Any amounts payable in respect of the Notes are subject to the deduction of certain taxes, duties and/or expenses.

(b) Economic nature of the Notes

General

The Notes are designed to enable holders (i) to receive the Interest Amounts on each Interest Payment Date, (ii) to participate, through the Interest Amounts, in the variable level of the Underlying Floating Interest Rate and (iii) to be repaid their originally invested capital of EUR 1,000 per Note at the end of the approximately 5 year investment term of the Notes.

Accrual of Interest

In respect of each Interest Period, the Interest Rate and consequently each Interest Amount will be determined by reference to how often during the relevant Interest Period the 3 month EURIBOR® rate is greater than or equal to 1.00 per cent. per annum and less than or equal to 4.50 per cent. per annum. Since the 3 month EURIBOR® rate is a variable rate, in the event that in respect of the relevant Interest Period the 3 month EURIBOR® rate is greater than or equal to 1.00 per cent. per annum and less than or equal to 4.50 per cent. per annum for more calendar days during such Interest Period as compared to the preceding Interest Period, the amount of interest payable in respect of the Notes will rise. Conversely, in the event that in respect of the relevant Interest Period the 3 month EURIBOR® rate is greater than or equal to 1.00 per cent. per annum and less than or equal to 4.50 per cent. per annum for fewer calendar days during such Interest Period as compared to the preceding Interest Period, the amount of interest payable in respect of the Notes will fall. The level of the 3-month EURIBOR® rate will be influenced by a wide range of factors, including economic and political factors and market conditions. Accordingly, an investment in the Notes involves interest rate risk where there are fluctuations in the Interest Amount. This may also influence the market value of the Notes. Interest rates are determined by factors of supply and demand in the international money markets which are influenced by macroeconomic factors, speculation and central bank and government intervention or other political factors. Fluctuations in short term and/or long term interest rates may affect the value of the Notes.

The level of the 3-month EURIBOR® rate applicable to a calendar day in an Interest Period will be influenced by a wide range of factors, including economic and political factors and market conditions. Investors should review carefully the basis upon which the Interest Amounts are calculated (see above section (a) (*Rights under the Notes*)) and be satisfied that an investment return linked in this manner to the 3-month EURIBOR® rate is suitable for them.

Investment Return

Subject to no default occurring with respect to the Collateral and the Hedging Agreement not being terminated early and no other early redemption of the Notes, investors who have bought the Notes on the Issue Date and hold them until the Maturity Date will receive (over the life of the Notes) a return equal to the sum of the Interest Amounts and the repayment of the principal amount invested by them. If there is a default by the issuer of the Collateral or the Hedging Counterparty under the Hedging Agreement or the Collateral is otherwise redeemed or liquidated prior to its scheduled maturity or the Hedging Agreement is otherwise terminated, or the Notes are being redeemed early for other reasons, investors in the Notes may receive less than their initial investment in the Notes and may receive nothing.

Secondary Market Trades

Where an investor sells the Notes on the secondary market during their term, the investor will achieve a positive return only where the sum of the sale proceeds and the Interest Amounts received exceeds the price originally paid for the Notes.

(c) Market Value of the Notes during their term

The market value of the Notes during their term depends primarily on the level and the volatility of the 3-month EURIBOR® rate and the performance of the Collateral and the Hedging Agreement and, since Interest Amounts are payable, the level of interest rates for instruments of comparable maturities. If the performance and/or creditworthiness of the Collateral and/or the Hedging Counterparty changes in such a way as would reduce the likelihood of receiving any Interest Amount or the Redemption Amount and/or there is a market perception that the performance and/or creditworthiness of the Collateral and/or the Hedging Counterparty is likely to change in this way during the remaining life of the Notes, all other factors being equal, the market value of the Notes will fall under normal conditions. The level of the 3-month EURIBOR® rate on any day will reflect a wide range of factors, including economic, political and market conditions.

Investors should note that the market value of the Notes can fall below their Nominal Amount.

Other factors which may influence the market value of the Notes include changes in market expectations regarding the future performance of the 3-month EURIBOR® rate, the performance of floating rates applicable to deposits denominated in Euros, the performance and/or creditworthiness of the Collateral and/or the Hedging Counterparty and/or the Notes. Volatility will be affected by a wide range of factors, including economic, political and market conditions. Accordingly, investors should note that they could lose part or all of their invested capital if they try to sell the Notes prior to their maturity.

If, following the purchase of the Notes, the market value of the Notes falls below the purchase price paid for the Notes, investors should not expect the market value of the Notes to increase to or above the purchase price paid by the investor during the remainder of the term of the Notes.

2. RISK FACTORS

Prospective purchasers of the Notes should ensure that they understand fully the nature of the Notes, as well as the extent of their exposure to risks associated with an investment in the Notes and should consider the suitability of an investment in the Notes in light of their own particular financial, fiscal and other circumstances. An investment in the Notes is only suitable for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the risks of such an investment and who have sufficient resources to be able to bear any losses that result from such an investment. The Notes are not an appropriate investment for investors who are unsophisticated with respect to the applicable interest formulae, or redemption or other rights or options. Prospective investors should be aware that the Notes may decline in value and should be prepared to sustain a total loss of their investment in the Notes if, for example, the issuer of the Collateral fails to fulfil its obligations.

The Notes are not guaranteed by the Arranger or any of its affiliates and neither the Arranger nor any of its affiliates has or will have any obligations in respect of the Notes other than as described in this Prospectus. The Notes will represent secured, limited recourse obligations of the Issuer.

2.1 Risks Related to the Issuer

(a) Securitisation Act 2004 and Compartments

The Company is established as a *société de titrisation agréée* within the meaning of the Securitisation Act 2004. The Securitisation Act 2004 provides that claims against the Company acting in respect of a particular Compartment (as defined below) (the **Relevant Issuer**) by holders of each series of Instruments will be limited to the assets of the relevant series included in the relevant Compartment. Further, under the Securitisation Act 2004, the proceeds of the Compartment Series Assets (as defined below) for each series are, in principle, available only for distribution to the specified Instrumentholders and other creditors relating to such series (each such party, a **Series Party**). A creditor of the Company may have claims against the Company in respect of more than one series, in which case the claims in respect of each individual series will be limited to the Compartment Series Assets relating to such series only.

The board of directors of the Company (the **Board**) may establish one or more compartments (together the **Compartments** and each a **Compartment**) each of which is a separate and distinct part of the Company's estate (*patrimoine*) and which may be distinguished by the nature of acquired risks or assets, the terms and conditions of the Instruments issued in relation to the Compartment, the reference currency or other distinguishing characteristics. The terms and conditions of the Instruments issued in respect of, and the specific objects of, each Compartment shall be determined by the Board. Each holder (an **Instrumentholder**) of Instruments issued by the Relevant Issuer shall be bound by the Conditions applicable to the relevant Instruments. In respect of the Notes, the Board has established Compartment 64-2011-06.

Each Compartment represents a separate and distinct part of the Company's estate (*patrimoine*). The rights of holders of Instruments issued in respect of a Compartment and the rights of creditors are, in principle, limited to the assets of that Compartment (the **Compartment Series Assets**), where these rights relate to that Compartment or have arisen at the occasion of the constitution, the operation or the liquidation of the relevant Compartment. The Compartment Series Assets of a Compartment are, in principle, available only to satisfy the rights of holders of Instruments issued in relation to that Compartment and the rights of creditors whose claims have arisen at the occasion of the constitution, the operation or the liquidation of that Compartment.

In the relationship between the holders of Instruments, each Compartment is deemed to be assets of a separate entity.

Fees, expenses and other liabilities incurred on behalf of the Company but which do not relate specifically to any Compartment may, under certain circumstances, be payable out of the assets allocated to the Compartments. The Board shall ensure, to the extent possible, that creditors of such liabilities expressly waive recourse to the assets of any Compartment. However, there is no guarantee that the Board will be able to achieve this. In this case any such fees, expenses or other liabilities will reduce the amounts received by the holders of Instruments, including the holders of this Series of Notes.

The Board shall establish and maintain separate accounting records for each of the Compartments of the Company for the purposes of ascertaining the rights of holders of Instruments issued in respect of each Compartment for the purposes of the Articles and the Conditions, such accounting records to be conclusive evidence of such rights in the absence of manifest error.

In respect of the issue of Notes described in this Prospectus the Company has established Compartment 64-2011-06. The Series Assets which are allocated to Compartment 64-2011-06, will be in principle available only to satisfy the claims of the Noteholders and the other Series Parties in relation to Compartment 64-2011-06. Potential investors should note that only the assets allocated to Compartment 64-2011-06 will be available to satisfy their claims as set out in more detail in the following section entitled "Limited Recourse". The Series Assets in respect of the Notes to be issued under this Prospectus will be:

(i) the Collateral;

(ii) the Issuer's rights under the Hedging Agreement;

(iii) the Issuer's rights under the Agency Agreement and the Purchase Agreement.

Should these assets not be sufficient to meet amounts payable under the Notes, Noteholders will suffer a loss of their invested capital and/or any interest payments which may be a complete loss.

(b) Limited Recourse

The right of Noteholders to participate in the assets of the Issuer is limited to the Series Assets which are allocated to Compartment 64-2011-06 of the Company. If the payments received by the Issuer in respect of the Series Assets are not sufficient to make all payments due in respect of the Notes, the Issuer will not be obliged to make any further payment for any Notes in excess of amounts received upon the realisation of the Series Assets. Following application of the proceeds of realisation of the Series Assets in accordance with the Terms and Conditions of the Notes, the claims of the Noteholders, the Hedging Counterparty and the other Series Parties for any shortfall shall be extinguished and the Noteholders, the Hedging Counterparty and the other Series Parties (and any person acting on behalf of any of them) may not take any further action to recover such shortfall.

Accordingly, the Noteholders bear the credit risk of the debtors of the Series Assets, including in particular the credit risk of the Collateral Issuer and the credit risk of the Hedging Counterparty. Should the Series Assets not be sufficient to meet amounts payable under the Notes, Noteholders will suffer a loss of their invested capital and/or any interest payments which may be a complete loss.

None of the Noteholders and the other Series Parties will be able to petition or take any other step, for the winding-up, liquidation or the bankruptcy of the Issuer or any other similar insolvency related proceedings. Failure to make any payment in respect of any such shortfall shall in no circumstances constitute an event of default under the relevant Conditions. Any shortfall shall be borne by the Noteholders, the Hedging Counterparty and the other Series Parties according to the priorities

specified in the Terms and Conditions. In particular, claims of the Trustee, any receivers, the Hedging Counterparty and the Principal Agent rank prior to Noteholder claims.

Furthermore, to give effect to the provisions of the Securitisation Act 2004 under which the Compartment Series Assets of a Compartment are available only for the Series Parties for the relevant Series relating to that Compartment, the Relevant Issuer will seek to contract with parties on a "limited recourse" basis such that claims against the Relevant Issuer in relation to each Series would be restricted to the Compartment Series Assets of the Compartment for the relevant Series.

However, there is no guarantee that the Relevant Issuer will be able to contract on a limited recourse basis with respect to all agreements that the Relevant Issuer may enter into from time to time in relation to any particular series and there may be creditors whose claims are preferred by law. In such circumstances the Compartment Series Assets relating to one or more Compartments may be subject to claims by creditors other than the relevant Series Parties for the relevant Series, resulting in a shortfall in the amounts available to meet the claims of the relevant series parties.

The Noteholders may be exposed to competing claims of other creditors of the Company, the claims of which have not arisen in connection with the creation, the operation or the liquidation of Compartment 64-2011-06 if foreign courts which have jurisdiction over the assets of the Company allocated to Compartment 64-2011-06 do not recognise the segregation of assets and the compartmentalisation, as provided for in the Securitisation Act 2004. The claims of these other creditors may affect the scope of assets which are available for the claims of the Noteholders and the Series Parties. If as a result of such claims, a shortfall arises, such shortfall will be borne by the Noteholders and the Series Parties.

(c) Certain Luxembourg law aspects

The rights of Noteholders and the responsibilities of the Issuer to the Noteholders under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the Notes are offered.

The Issuer is structured to be an insolvency-remote vehicle. The Issuer will seek to contract only with parties who agree not to make any application for the commencement of winding-up, liquidation or bankruptcy or similar proceedings against the Issuer. Legal proceedings initiated against the Issuer in breach of these provisions shall, in principle, be declared inadmissible by a Luxembourg court. Notwithstanding the foregoing, if the Issuer fails for any reason to meet its obligations or liabilities (that is, if the Issuer is unable to pay its debts and may obtain no further credit), a creditor who has not (and cannot be deemed to have) accepted non-petition and limited recourse provisions in respect of the Issuer is entitled to make an application for the commencement of insolvency proceedings against the Issuer. In that case, such creditor should however not have recourse to the assets of any Compartment but would have to exercise his rights over the general assets of the Issuer unless his rights arise in connection with the "creation, operation or liquidation" of a Compartment, in which case the creditor would have recourse to the assets allocated to that Compartment but he would not have recourse to the assets of any other Compartment. Furthermore, the commencement of such proceedings may in certain conditions, entitle creditors (including hedging counterparties) to terminate contracts with the Issuer and claim damages for any loss suffered as a result of such early termination. The Issuer is insolvency-remote, not insolvency-proof.

(d) Liquidation

According to the Securitisation Act 2004, a judgment ordering the forced liquidation of the Company following the withdrawal of its authorization as authorized securitisation company will suspend all seizures effected by unsecured creditors and creditors not benefiting from preferential rights over movable or immovable property.

The liquidator may not grant security interests over the assets of the Company or transfer such assets for security purposes without the authorisation of a Luxembourg court. The Luxembourg court may grant such authorization to the liquidator at any time during the liquidation proceedings in respect of all or part of the assets of the Company

After payment or deposit with the public trust office (the *Caisse de Consignation*) of sums sufficient to pay the debts, the liquidator will distribute to the investors the sums or assets to which they are entitled.

Such proceedings may have a material adverse effect on the Issuer's business and its obligations under the Notes.

(e) Fees and Expenses

Noteholders should note that, in relation to the Series of Notes described in this Prospectus, certain amounts, including amounts payable to the Trustee, any receivers, the Hedging Counterparty and the Principal Agent, as set out in the Conditions, rank senior to payments of principal and interest on the Notes. Furthermore, where the Series Assets become subject to realisation by the Selling Agent, potential investors should note that the Selling Agent will be able to deduct any of its commissions or expenses in connection with the realisation of the Series Assets from the proceeds of realisation of the Series Assets prior to the distribution of such proceeds to the other Series Parties.

(f) Substitution of the Issuer

Under the Conditions of the Notes the Trustee may, subject to the prior written consent of the Hedging Counterparty but without the consent of the Noteholders, substitute the Issuer as principal obligor under the Series Instrument and all of the Notes then outstanding with any other company (the **Substitute Company**) provided that certain conditions are met and such substitution would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. It is one of the conditions to a substitution of the Issuer that the Substitute Company undertakes to be bound by the terms of the Series Instrument and the Conditions of the Notes. The Substitute Company must also acquire the Series Assets and acknowledge the security created over the Series Assets.

Prospective investors should note that in the case of such substitution the Issuer will be released from any and all of its obligations in respect of the Notes and any relevant agreements and that Noteholders will only be able to claim any amounts payable under the Notes from the Substitute Company.

2.2 Risk Factors relating to the Notes

(a) General

By subscribing for the Notes, each Noteholder shall be bound by the Terms and Conditions of the Notes (including, for the avoidance of doubt and without limitation, the provisions on limited recourse, subordination and non-petition and Conditions 6, 9, 10 and 11).

Purchasers of Notes should conduct such independent investigation and analysis regarding the terms of the Notes, the Issuer, the Underlying Floating Interest Rate, the Collateral, the Hedging Agreement and other Series Assets and the security arrangements as well as any other agreement entered into by the Issuer in respect of the Notes and all other relevant market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes in light of their own personal circumstances.

Prospective purchasers should understand the risks associated with an investment in the Notes and should only reach an investment decision after careful consideration, with their legal, tax, accounting

and other advisers, of (i) the suitability of an investment in the Notes in the light of their particular financial, fiscal and other circumstances, (ii) the information set out in this Prospectus, (iii) the Interest Rate in respect of the Notes, (iv) the Collateral, (v) the Hedging Agreement and (vi) other Series Assets. Nothing in this Prospectus should be construed as advice.

Any payment by the Issuer in respect of the Notes is dependent upon the receipt by the Issuer of payments from the Collateral and under the Hedging Agreement. There may be a default in such payments under the Collateral and the Hedging Agreement with the result that any return on the Notes will be similarly limited.

Prospective purchasers of the Notes should recognise that the Notes may decline in value and should be prepared to sustain a total loss of their investment in the Notes.

An investment in the Notes should only be made after assessing the direction, timing and magnitude of potential future changes in the level of the 3-month EURIBOR® rate, as the return of any such investment will be dependent, amongst other things, upon such changes.

More than one risk factor may have simultaneous effect with regard to the Notes such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Notes.

(b) Risks relating to the Underlying Floating Interest Rate and Market Factors

Level of the 3-month EURIBOR® Rate

Prospective purchasers of the Notes should be aware that an investment in the Notes involves performance risk as regards the 3-month EURIBOR® rate. Prospective purchasers should be experienced with respect to transactions in floating rate notes with a value derived from underlying reference rates.

In respect of an Interest Period, the Notes bear interest at a rate calculated as follows:

(b) 3.90 per cent.; multiplied by

(c) N divided by D

Where

N means the number of calendar days in the relevant Interest Period on which the Underlying Floating Interest Rate is greater than or equal to 1.00 per cent. and less than or equal to 4.50 per cent.; and

D means the actual number of calendar days in the relevant Interest Period.

Information with respect to the 3-month EURIBOR® rate may be available from publicly available sources, but no representation is made with respect thereto by the Issuer, the Arranger, the Purchaser, the Trustee, the Hedging Counterparty, the Calculation Agent, or any of their respective affiliates as to the accuracy or completeness of any such information.

The historical performance of the 3-month EURIBOR® rate is not an indication of its future performance

The historical level of the 3-month EURIBOR® rate does not indicate the future level of such rate. Changes in the level of the 3-month EURIBOR® rate will affect the trading price of the Notes, but it is impossible to predict whether the level of the 3-month EURIBOR® rate will rise or fall.

In respect of the performance of the 3-month EURIBOR® rate potential investors should note that in case of a 3-month EURIBOR® rate that is less than 1.00 per cent. per annum or more than 4.50 per cent. per annum. during the term of the Notes, investors may have difficulties in selling the Notes on the secondary market or may only be able to trade the Notes at a price which may be substantially lower than the Nominal Amount.

Exchange Rate Risks and Exchange Controls

Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macro economic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Notes.

The Issuer will pay principal and interest on the Notes in EUR. 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 EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of the EUR 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 EUR would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

Factors affecting the market value of the Notes

Many factors may affect the value of the Notes, the majority of which are beyond the Issuer's control, including, among others, the following:

- economic, financial, regulatory, political, terrorist and other events that affect capital markets;
- market interest rates;
- market value of the Collateral;
- the time remaining until the Notes mature.

This is not a complete list of the factors which may have an impact on the market value of the Notes.

As a result of these factors, if investors sell the Notes prior to maturity, they may receive less than their original investment.

(c) Interest Rate Risk

In respect of an Interest Period, the Notes pay interest at a rate determined by reference to how often during the relevant Interest Period the 3 month EURIBOR® rate is greater than or equal to 1.00 per cent. per annum and less than or equal to 4.50 per cent. per annum. Floating interest rates (such as the 3-month EURIBOR® rate) are determined by factors of supply and demand in the international money markets which are influenced by macro economic factors, speculation and central bank and government intervention. The value of the Notes, on any day, is related to market levels of interest rates applicable to deposits denominated in Euros at such time. Fluctuations in short term and/or long term interest rates may affect the value of the Notes. Fluctuations in interest rates of the currency in which the Notes are denominated may affect the value of the Notes.

(d) Market Value

The market value of the Notes during their term depends primarily on the performance of the Collateral and the Hedging Agreement and, in respect of any Interest Amounts payable, the level of interest rates for instruments of comparable maturities.

The level of market volatility is not purely a measurement of the actual volatility, but is largely determined by the prices for instruments which offer investors protection against such market volatility. The prices of these instruments are determined by forces of supply and demand in the options and derivative markets generally. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macroeconomic factors and speculation.

If the performance and/or creditworthiness of the Collateral and/or the Hedging Counterparty changes in such a way as would reduce the likelihood of receiving any Interest Amount or the Redemption Amount and/or there is a market perception that the performance and/or creditworthiness of the Collateral and/or the Hedging Counterparty is likely to change in this way during the remaining life of the Notes, all other factors being equal, the market value of the Notes will fall under normal conditions.

Investors should note that the market value of the Notes can fall below their Nominal Amount.

Other factors which may influence the market value of the Notes include floating rates applicable to deposits denominated in Euros, changes in market expectations regarding the future performance of the 3-month EURIBOR® rate and the performance and/or creditworthiness of the Collateral and/or the Hedging Counterparty and/or the Notes. Volatility will be affected by a wide range of factors, including economic, political and market conditions. Accordingly, investors should note that they could lose part or all of their invested capital if they try to sell the Notes prior to their maturity.

If, following the purchase of the Notes, the market value of the Notes falls below the purchase price paid for the Notes, investors should not expect the market value of the Notes to increase to or above the purchase price paid by the investor during the remainder of the term of the Notes.

(e) Certain Hedging Considerations

Prospective purchasers who intend to purchase the Notes for the purpose of hedging their exposure to the 3-month EURIBOR® rate should recognise the risks of utilising the Notes in such manner. No assurance is or can be given that the trading or liquidation value of the Notes will correlate with movements in the levels of the 3-month EURIBOR® rate. Therefore, notwithstanding losses suffered by investors with respect to investments in or exposure to the 3-month EURIBOR® rate, it is possible that investors could also suffer substantial losses in the Notes.

Prospective purchasers of the Notes should be aware that hedging transactions in order to limit the risks associated with the Notes might not be successful.

(f) The Collateral and the Hedging Agreement

(i) General

Payments of interest and principal are contingent on the performance of the Collateral and the Hedging Agreement in respect of the Notes. Both the Collateral and the Hedging Agreement are subject to credit, liquidity, foreign exchange and interest rate risks. To the extent that a default occurs with respect to the Collateral and/or the Hedging Agreement and the Selling Agent sells or otherwise realises the Collateral, the proceeds of such sale or realisation plus or minus any termination amount under the Hedging Agreement may not be equal to the unpaid principal and interest under the Notes. The amount of proceeds of such sale or realisation of the Collateral may be affected by various factors, including the liquidity of the Collateral.

Should the proceeds from the sale or realisation of the Collateral and any termination amount under the Hedging Agreement not be sufficient to meet all amounts payable under the Notes, Noteholders will suffer a loss of their invested capital and/or any interest payments.

In the event of an insolvency of the issuer of the Collateral or the Hedging Counterparty, various insolvency and related laws applicable to the issuer of the Collateral or the Hedging Counterparty may limit the amount which can be recovered.

(ii) Country and Regional Risk

The price and value of the Collateral and the Hedging Agreement may be influenced by the political, financial and economic stability of the country and/or region in which the issuer of the Collateral or the Hedging Counterparty is incorporated or has its principal place of business or of the country in whose currency the Collateral is denominated. The value of securities and other assets issued by entities located in, or governments of, emerging market countries is generally more volatile than the value of similar assets issued by entities in well-developed markets. However, in certain cases the price and value of assets originating from countries not ordinarily considered to be emerging markets countries may behave in a manner similar to those of assets originating from emerging markets countries.

(iii) The Collateral

On or about the Issue Date the Issuer will use the proceeds of the issue to purchase EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società Cooperativa in an aggregate principal amount equal to the Aggregate Nominal Amount of the Notes as of the Issue Date (the **Collateral**) where Banco Popolare - Società Cooperativa is the **Collateral Issuer**.

On the Maturity Date (scheduled to be 31 March 2016) the aggregate redemption proceeds of the Collateral are expected to be equal in principal amount to the principal amount of the Notes and, provided that none of the Collateral has become repayable or capable of being declared due and repayable (other than on their scheduled maturity date) and that no payment default has occurred in respect of, and no withholding or similar tax has been imposed on amounts payable under, the Collateral, the Issuer will use the redemption proceeds thereof to make scheduled payments under the Hedging Agreement on and prior to the Maturity Date, and the Issuer will use the corresponding principal amounts due from the Hedging Counterparty on the Maturity Date under the Hedging Agreement to pay the redemption amount in respect of each Note being the Nominal Amount of a Note (the **Redemption Amount**).

However, if the Collateral Issuer is not able to redeem the Collateral held by the Issuer, the Issuer will be unable to redeem the Notes. Potential investors should note in this respect that

they are exposed to the credit risk of the Collateral Issuer and that, upon the default by the Collateral Issuer in respect of the Collateral, the Issuer will not be able to redeem the Notes at their principal amount and may not be able to pay all interest scheduled to be paid in respect of the Notes. In this case, to the extent that the Issuer or the Selling Agent is not able to sell or realise the Collateral on the secondary market or is able to do so only at a lower price than the Nominal Amount of the Notes, Noteholders will only receive a pro rata share per Note of the realisation proceeds in respect of the Collateral and the other Series Assets after deduction of all prior ranking amounts. Such amounts may be substantially lower than the Redemption Amount of the Notes and any outstanding Interest Amounts and may be zero. The amount of proceeds of such sale or realisation of the Collateral may be affected by various factors, including the liquidity of the Collateral.

Where any of the Collateral is accelerated or default or the Hedging Agreement is terminated in full prior to the Maturity Date, the Notes will be subject to early redemption. In this case, the Issuer may not receive sufficient proceeds from the realisation of the Collateral and the other Series Assets to repay the Nominal Amount of the Notes and any outstanding Interest Payments. Potential investors should be prepared that the early termination amount payable in the event of a redemption of the Notes prior to the Maturity Date may be substantially lower than the Nominal Amount of the Notes and may be zero.

(iv) Custodian and Appointment of Sub-Custodians

Investors should note that under the terms of the Agency Agreement the Collateral held by the Custodian may be commingled with the Custodian's own assets in certain limited circumstances. In such circumstances, in the event of the Custodian's insolvency, the Collateral may not be as well protected from claims made on behalf of the general creditors of the Custodian as if the Collateral were not commingled with the Custodian's own assets.

Under the terms of the Agency Agreement, the Custodian may appoint one or more sub-custodians (the **Sub-Custodian)** to hold the Collateral, but such appointment shall not relieve the Custodian of any of its duties under the Agency Agreement. Investors should note that the Sub-Custodian acts as an agent of the Custodian and not as an agent of the Issuer or of any Agent other than the Custodian. Whilst the Custodian shall have the same level of responsibility to the Issuer for any act or omission on the part of the Sub-Custodian, its agent or any other sub-custodian as the Custodian has for itself and the Custodian shall be liable for any damages or loss from any act or omission by any agent/sub-custodian (including the Sub-Custodian) as if all delegated duties and delegated safekeeping duties were carried out by the Custodian itself and the property of the Issuer was held in Luxembourg, the holding of the Collateral by the Sub-Custodian on behalf of the Custodian would mean that the Issuer may not have any direct claim against the Sub-Custodian in respect of the Collateral. The Issuer may only have a claim against the Custodian in respect of the Collateral even though the Collateral will be held by the Sub-Custodian.

(v) The Hedging Agreement

The Issuer will enter into the Hedging Agreement with Deutsche Bank AG, acting through its London Branch as the Hedging Counterparty pursuant to which the Issuer will be entitled to receive from the Hedging Counterparty as interest an amount equal to the Interest Amounts due on each Interest Payment Date.

In the event of a default by the Hedging Counterparty or the Issuer under the Hedging Agreement or if certain other termination events occur under the Hedging Agreement, the Hedging Agreement will be terminated early and a termination amount will be calculated, and will be payable by either the Issuer or the Hedging Counterparty, in each case in accordance with the terms of the Hedging Agreement. Such termination amount is

determined, in part, by reference to the termination value of the interest rate swap as of the date of the early termination of the Hedging Agreement. The termination value of the interest rate swap is determined pursuant to the terms of the Hedging Agreement, which incorporates a 1992 ISDA Master Agreement (the **Master Agreement**). The Master Agreement is a standard form agreement used generally in derivatives markets for swap transactions, and includes procedures for valuing a swap transaction, on its termination, by reference to the cost or benefit to the Issuer of terminating the interest rate swap, which amount can be determined by reference to market participants' quotations for the swap transaction as of the time of the termination. In this case the Notes will be subject to early termination and, as highlighted above, the proceeds received by the Issuer from the realisation of the Series Assets may be less than the Nominal Amount of the Notes and any outstanding Interest Amounts and may be zero.

(vi) Information Regarding the Collateral and the Hedging Agreement

Certain information regarding the Collateral, the Hedging Agreement, the Collateral Issuer and the Hedging Counterparty is contained in the sections entitled "*Description of the Collateral and the Collateral Issuer*" and "*Description of the Hedging Agreement and Hedging Counterparty*" below. Such information has been extracted from publicly available information published by the Collateral Issuer or the Hedging Counterparty, as applicable. The Issuer confirms that such information has been accurately reproduced. No further or other responsibility in respect of such information is accepted by the Issuer. The Issuer has not separately verified such information. Accordingly, other than as stated above, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Issuer as to the accuracy or completeness of the information contained in the sections entitled "*Description of the Collateral and the Collateral Issuer*" and "*Description of the Hedging Agreement and Hedging Counterparty*" below. Purchasers of the Notes should conduct their own investigations and, in deciding whether or not to purchase Notes, should form their own views on the creditworthiness of the Collateral Issuer and the Hedging Counterparty based on such investigations and not in reliance on any information given in this Prospectus.

(vii) Italian covered bond legislation

Italian Law No. 130 of 30 April 1999 (as amended, **Law 130**) was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. As at the date of this Prospectus, no interpretation of the application of Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree of the Italian Ministry for the Economy and Finance No. 130 of 14 December 2006 (**Decree No. 310**), setting out the technical requirements of the guarantee which may be given in respect of covered bonds and (ii) the instructions of the Bank of Italy dated 17 May 2007 and any further clarification issued by the Bank of Italy concerning, *inter alia*, guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130 or the interpretation thereof, the impact of which cannot be predicted as at the date of this Prospectus and there is still only a limited track record for covered bonds issued in accordance with Law 130. In an insolvency of Banco Popolare – Società Cooperativa, investors would be exposed, inter alia, to the credit risk of the Cover Pool (as defined in the section "*Description of the Collateral and the Collateral Issuer*" below) and to the extent that the relevant Cover Pool does not generate sufficient funds to meet scheduled payments of interest and principal in respect of the Collateral, an Early Redemption Event may occur.

(g) Realisation of the Series Assets

Where any of the Collateral becomes repayable or becomes capable of being declared due and repayable prior to its originally scheduled maturity date as a result of a default, an event of default or other similar event or any event or condition having substantially the same effect or where there is a default or a potential default (including when a holder of any of the Collateral receives a notice stating that a payment will not be made on any scheduled payment date) in the payment of any amount due as principal, interest or otherwise under any of the Collateral without regard to any applicable grace period or deferral provisions that would defer the originally scheduled maturity date until a later date or any withholding or similar tax is imposed on amounts payable under all or any part of the Collateral or the Hedging Agreement is terminated in full prior to the Maturity Date, the Notes will be mandatorily redeemed and the Series Assets will be realised by the Selling Agent.

Potential investors should note that the Early Termination Amount payable to Noteholders in these circumstances will be their pro rata share of the proceeds of realisation of the Series Assets which will only rank after certain payments payable to (i) the Trustee, (ii) the Hedging Counterparty and (iii) the Principal Agent.

(h) Realisation of Series Assets by Selling Agent

On an early redemption of the Notes (whether in the case of a mandatory redemption or following an occurrence of an event of default), the Selling Agent shall, if instructed by the Trustee, realise the Series Assets in accordance with the terms of the Agency Agreement as soon as reasonably practicable at its best execution price less any commissions or expenses charged by the Selling Agent and specified for this purpose in the Series Instrument.

The security created over each of the Series Assets in favour of the Trustee shall be immediately released against receipt in full of the relevant realisation proceeds in respect of the relevant Series Assets by the Trustee (subject to deduction of any commission or expenses by the Selling Agent).

Investors should note that neither the Issuer nor the Trustee shall have any responsibility or liability for the performance by the Selling Agent of its duties under the Conditions of the Notes or for the price or time at which any of the Series Assets may be sold or otherwise realised. The amount of realisation proceeds received by the Issuer in respect of the Series Assets will depend on the performance by the Selling Agent of its duties. If the Selling Agent fails to perform its duties, whilst the Trustee may take a number of steps in such event including the realisation of the Series Assets, the Trustee will only act if it is indemnified and/or secured and/or pre-funded to its satisfaction. In taking any action the Trustee will not have regard to the effect of such action on individual Noteholders. Investors should also note that any realisation proceeds are subject to deduction of commissions and/or expenses by the Selling Agent. As a result the Early Termination Amount payable to Noteholders following an early redemption of the Notes will be reduced.

(i) Acceleration of Notes by Noteholders

On the occurrence of an Event of Default in respect of the Notes, the holders of at least one-fifth in aggregate nominal amount of the Notes then outstanding may request by written notice to the Issuer and the Trustee that all the Notes shall forthwith become due and repayable at the Early Termination Amount together with any accrued interest. In such a case, all the Notes will be early redeemed, the security created pursuant to the Series Instrument will become enforceable and the Series Assets will be subject to realisation by the Selling Agent.

Prospective investors should note that neither the Trustee nor other Noteholders (regardless of the amount of Notes they hold) will be able to influence or overrule such request made by holders of one-fifth or more in aggregate nominal amount of the Notes. If the Notes become due and repayable prior to the Maturity Date, no further interest will accrue on the Notes. In addition, the Early

Termination Amount payable may be less than the Redemption Amount (i.e. the Nominal Amount) that would be due at maturity of the Notes. As a result, a Noteholder may receive less.

Prospective investors should also note that the Trustee shall not be obliged to take any action unless directed or requested to do so in accordance with the Series Instrument and then only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(j) Secondary Market

Currently, no secondary market exists for the Notes and the Issuer is not under any obligation to make a market in the Notes. It is not possible to predict if and to what extent a secondary market may develop in the Notes or at what price the Notes will trade in the secondary market or whether such market will be liquid or illiquid. Application has been made to the CSSF to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market on or about the Issue Date. In addition, the Issuer reserves the right to apply for the Notes to be admitted to trading on the multilateral trading facility EuroTLX (managed by EuroTLX SIM S.p.A.). If the Notes are so listed or quoted or admitted to trading, no assurance is given that any such listing or quotation or admission to trading will be maintained. The fact that the Notes may be so listed or quoted or admitted to trading does not necessarily lead to greater liquidity than if they were not so listed or quoted or admitted to trading. There can be no assurance that the Notes being so listed or quoted or admitted to trading will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes.

If the Notes are not listed or quoted or admitted to trading on any stock exchange or quotation system, pricing information for the Notes may be more difficult to obtain and the liquidity of the Notes may be adversely affected. The liquidity of the Notes may also be affected by restrictions on offers and sales of the Notes in some jurisdictions.

Even where an investor is able to realise its investment in the Notes this may be at a substantially reduced value to its original investment in the Notes.

The Issuer may, but is not obliged to, at any time purchase Notes at any price in the open market or by tender or private agreement. Any Notes so purchased may be held or resold or surrendered for cancellation. However, since there is not expected to be any market-maker in respect of the Notes, the secondary market may be limited. The more limited the secondary market is, the more difficult it may be for holders of the Notes to realise value for the Notes prior to the maturity of the Notes. Therefore, whether or not a market-maker is appointed and the number and identity of the market-makers appointed may have a significant effect on the price of the Notes on the secondary market.

Accordingly, the purchase of the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. Investors must be prepared to hold the Notes until maturity.

The Issuer may issue Notes on the Issue Date in any aggregate nominal amount up to and including EUR 100,000,000. It is not obliged to issue EUR 100,000,000 in aggregate nominal amount of Notes and the issuance of such amount of Notes is not underwritten by the Purchaser or the Arranger. Accordingly, the Issuer may issue a smaller aggregate nominal amount of Notes and such smaller issuance may affect the liquidity of the Notes issued. The Aggregate Nominal Amount of Notes as of the Issue Date will be specified in the Series Instrument.

The Redemption Amount will only be payable on the Maturity Date, subject to the Conditions of the Notes and the risk factors mentioned in this Prospectus. The value of the Series Assets on any other day (or the market price of the Notes on any day) may not necessarily be reflected in the Redemption Amount payable on the Maturity Date.

(k) Potential Conflicts of Interest

Each of the Issuer, the Arranger, the Trustee, the Purchaser, the Hedging Counterparty, the Calculation Agent, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian are or may be affiliates or may be the same entities. Because of these and other relationships, potential conflicts of interest may arise between such parties and the holders of Notes due to certain of the transactions contemplated herein.

The Arranger, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian and their respective affiliates may from time to time engage in transactions involving the Collateral for their proprietary accounts and for accounts under their management. Such transactions may have a positive or negative effect on the value of the Collateral and consequently upon the value of the Notes. In addition, the Arranger, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian and their respective affiliates may from time to time act in other capacities with regard to the Notes.

The Issue Price of the Notes includes certain fees, commissions and expenses payable to, or incurred by Deutsche Bank AG, acting through its London Branch as Arranger and Purchaser and the Distributor. Furthermore, the Arranger, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian and their respective affiliates may (but are not obliged to), in certain cases, act as market-maker for the Collateral. By such market-making, the Arranger, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian or such affiliate will, to a large extent, itself determine the price of the Collateral, and consequently influence the value of the Collateral and consequently the Notes. The prices quoted by the Arranger, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian or such affiliate in its market-making function will not always correspond to the prices which would have formed without such market-making and in a liquid market.

The Arranger, the Trustee, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian and their respective affiliates, whether by virtue of the types of relationships described herein or otherwise, may acquire non-public information with respect to the Collateral that is or may be material in the context of the Notes. None of the Arranger, the Trustee, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian and any of their respective affiliates undertakes to disclose any such information to any Noteholder. In addition, one or more of the Arranger, the Purchaser, the Calculation Agent, the Hedging Counterparty, the Principal Agent, the Paying Agents, the Selling Agent and the Custodian and their respective affiliates may publish research reports with respect to the Collateral.

Such activities could present conflicts of interest and may affect the value of the Notes.

(l) Taxation

Investors should note that the Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

Potential purchasers and sellers of the Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred. Noteholders are subject to the provisions of Condition 4.7 (*Taxation*).

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time (maybe with retroactive effect). Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Any change in the Issuer's tax status or in taxation legislation in Luxembourg or any other tax jurisdiction could affect the value of the investments held by the Issuer or affect the Issuer's ability to achieve its investment objective for the Notes or alter the post tax returns to Noteholders. The Issuer will not make any additional payments in the event that any withholding obligation is imposed on payments by the Issuer under the Notes. Disclosure in this Prospectus concerning the taxation of Noteholders resident in Luxembourg and Germany is based upon current Luxembourg and German tax law and practice which is, in principle, subject to change (possibly with retrospective effect). Any such change could adversely affect the ability of the Issuer to pay the amounts due on the Notes on the relevant date for redemption and the net amount of any dividends and/or interest and/or date for redemption amount payable to Noteholders.

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. 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 agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Tax Directive, which included the Commission's advice on the need for changes to the EU Savings Tax Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Tax Directive, they may amend or broaden the scope of the requirements described above.

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

In the event that the Notes are redeemed prior to 18 months from the Issue Date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary which intervenes in the payment of interest or the redemption amount of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

As described in "*Section 5 Taxation - Italian Taxation*" below, the Italian tax regime applying to payments of interest in respect of the Notes is governed by Italian Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree No. 239**) on the basis that the Notes qualify as asset-backed securities for the purposes of Italian law No. 130 of 30 April 1999, as amended from time to time (*Disposizioni sulla cartolarizzazione dei crediti*) (**Law 130**). As a consequence, under the provisions of Decree No. 239, payments of interest in respect of the Notes will be subject to a

substitute tax (*imposta sostitutiva*) at the rate of 12.5% in the Republic of Italy depending on the circumstances of the relevant Noteholder. In the case of a foreign investor, payments of interest and other proceeds will not be subject to the "*imposta sostitutiva*" at the rate of 12.5% if such payments are made to beneficial owners who are non-Italian resident entities or individuals with no permanent establishment in the Republic of Italy to which the Notes are effectively connected, provided that, if the Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

However, in the event that the Italian fiscal authorities in the future decide that the Notes no longer qualify as asset-backed securities for the purposes of Law 130 (which may occur in certain circumstances, including if either (a) no rating is assigned to the Notes on the Issue Date or, subsequent to the Issue Date, the rating is withdrawn, or (b) the Italian fiscal authorities otherwise decide that the Notes no longer qualify as asset-backed securities for the purposes of Law 130), the Notes will instead qualify as atypical securities (*titoli atipici*) for Italian tax purposes and may be subject to a withholding tax levied at the rate of 27 per cent.

Upon the occurrence of any withholding or deduction for or on account of such withholding or substitute tax from any payments under the Notes, neither the Issuer nor any other person shall be obliged to gross-up or otherwise compensate the Noteholders for the lesser amounts the Noteholders would receive as a result of the imposition of such substitute tax.

(m) Further Issues of Notes by the Issuer

The Issuer may issue further Notes which will form one series with the Series of Notes issued under this Prospectus.

(n) Luxembourg Law

The Company is a public limited liability company (*société anonyme*) incorporated under Luxembourg law.

Under the Securitisation Act 2004, each Compartment corresponds to a separate and distinct part of the Company's assets and liabilities. As between Noteholders, each Compartment will be deemed to be the property of a separate entity. The rights of holders of Notes issued in respect of a Compartment and the rights of creditors transacting with the Relevant Issuer in respect of a Compartment are limited to the assets of such Compartment, where these rights relate to that Compartment or have arisen upon the constitution, operation or liquidation of the assets of that Compartment. The assets of a Compartment are available exclusively to satisfy the rights of holders of Notes issued in relation to that Compartment and the rights of creditors whose claims relate to or have arisen at the occasion of the constitution, the operation or the liquidation of that Compartment. Fees, costs, expenses and other liabilities generally incurred on behalf of the Company but which do not relate to any particular Compartment shall, unless otherwise determined by the Board, be general liabilities of the Company and shall not be payable out of the assets of any Compartment. The Board shall ensure, to the extent possible, that creditors in respect of such liabilities waive recourse to the assets of any Compartment.

Pursuant to the Securitisation Act 2004, the conditions of issue of the Notes are binding on the Issuer and the Noteholders and are valid as against third parties in the event of the liquidation of one or more Compartments, of bankruptcy proceedings in respect of the Issuer or more generally in determining the competing rights for payment of creditors, except that they are not binding on any creditors of the Issuer who have not expressly agreed to be bound by such conditions.

(o) Ratings

(i) General

A rating may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation. Prospective Purchasers of the Notes should note that no assurance is given that the Notes will have a particular rating as of the Issue Date.

(ii) Ratings of the Hedging Counterparty

The Hedging Counterparty has a long-term rating of A+ from S&P, Aa3 from Moody's and AA- from Fitch, and a short-term rating of A-1 from S&P, P-1 from Moody's and F1+ from Fitch.

S&P's Ratings

An obligation rated 'A' is more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category there exists a further designation 'A-1+' which reflects that the obligor's capacity to meet its financial commitment on the obligation is very strong.

Moody's Ratings

An obligation rated 'Aa' is judged to be of high quality and is subject to very low credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa to Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. A short-term obligation rated 'P-1' is rated in the highest category by Moody's. Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

*Fitch's Ratings*An obligation rated 'AA' denote expectations of very low default risk. It indicates very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. A short-term obligation rated 'F1'+ is rated in the highest category by Fitch. It indicates the strongest intrinsic capacity for timely payment of financial commitments; it may have an added "+" to denote any exceptionally strong credit feature.

(iii) General Information regarding ratings

The risk related to an obligor's ability to fulfil its obligations created may be described by reference to the credit ratings assigned by independent rating agencies. A credit rating is an assessment of the solvency or credit-worthiness of creditors and/or bond-issuers according to established credit review procedures. These ratings and associated research help investors analyse the credit risks associated with fixed-income securities by providing detailed information of the ability of issuers to meet their obligations. The lower the assigned rating is on the respective scale, the higher the respective rating agency assesses the risk that obligations will not be met in full or on time.

S&P Ratings

Long-term ratings by S&P are divided into several categories ranging from 'AAA', reflecting the strongest creditworthiness, over categories 'AA', 'A', 'BBB', 'BB', 'B' 'CCC', 'CC', 'C' to category 'D', reflecting that an obligation is in payment default.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus ('+') or minus ('-') sign to show relative standing within the major rating categories. S&P does not modify the rating of 'AAA' by a plus or a minus sign.

Short-term ratings by S&P are divided into several categories ranging from 'A-1', reflecting the strongest creditworthiness, over categories 'A-2', 'A-3', 'B', 'C' to category 'D' reflecting that an obligation is in payment default.

Other than the category 'A-1' which may be modified by the addition of a plus ('+') to show relative standing within the category 'A-1', S&P does not modify short-term ratings by a plus or a minus sign.

Moody's Ratings

Long-Term Ratings by Moody's are divided into several categories ranging from 'Aaa', reflecting a credit judged to be of the highest quality, with minimal credit risk, over categories 'Aa', 'A', Baa', 'Ba', 'B', 'Caa', 'Ca' to category 'C' reflecting obligations are typically in default, with little prospect for recovery of principal or interest.

Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from 'Aa' through 'Caa'. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short-Term Ratings by Moody's are divided into several categories ranging from 'P-1' (Prime-1), reflecting the strongest creditworthiness, over categories 'P-2', 'P-3', to category 'NP', reflecting obligations that do not fall within any of the Prime rating categories.

Fitch's Ratings

Long-term ratings by Fitch are divided into several categories ranging from 'AAA', reflecting the strongest creditworthiness, over categories 'AA', 'A', 'BBB', 'BB', 'B' 'CCC', 'CC', 'C'. Defaulted obligations typically are not assigned 'D' ratings, but are instead rated in the 'B' to 'C' rating categories, depending upon their recovery prospects and other relevant characteristics.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' obligation rating category, or to corporate finance obligation ratings in the categories below 'B'.

Short-term ratings by Fitch are divided into several categories ranging from 'F1', reflecting the strongest creditworthiness, over categories 'F2', 'F3', 'B', 'C', 'RD' to category 'D' indicating a broad-based default event for an entity, or the default of a short-term obligation.

(p) Modification and waivers

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

(q) Change of law

The conditions of the Notes are based on English law in effect as at the date of this 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 Prospectus.

(r) Certain considerations relating to public offers of the Notes

The Issuer reserves the right to withdraw the offer and/or cancel the issuance of the Notes for any reason at any time on or prior to the Issue Date. For the avoidance of doubt, if any application has been made by a potential investor and the Issuer exercises such a right, each such potential investor shall not be entitled to subscribe or otherwise purchase any Notes. Any payments made by an applicant investor for Notes that are not issued to such applicant investor for any such reason will be refunded. However, there will be a time lag in making any reimbursement, no interest will be payable in respect of any such amounts and the applicant investor may be subject to reinvestment risk.

(s) Implicit fees

Investors should note that implicit fees (e.g. placement fees, direction fees, structuring fees) are a component of the offer price of the Notes. The type and amount of the implicit fees embedded in the offer price are specified in "Subscription and Sale" below. Investors should note that as a result of such fees being included in the offer price, the price of the Notes in the secondary market is likely to be lower than the offer price.

(t) Lack of information following issue

Following the issue of the Notes, the Issuer will not provide any information on the current market value of the Notes. The Issuer does not intend to provide any post-issuance information in relation to the Notes, except if required by any applicable laws and regulations.

(u) The Notes do not benefit from any state or other guarantee

The Notes are not covered by the "Interbank Fund for Safeguarding of Deposits Redemption" nor by state guarantee. The payment of principal and interest under the Notes is not covered by any specific guarantee, nor is any such guarantee anticipated.

2.3 Representations

By investing in the Notes each investor is deemed to represent that:

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

(b) *Assessment and Understanding.* It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and

conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.

(c) *Status of Parties.* None of the Issuer, the Arranger or the Trustee is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.

THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES.

3. TERMS AND CONDITIONS OF THE NOTES

The following are the conditions of the Notes (the **Conditions**).

This series of Notes (the **Series**) is constituted and secured by the Series Instrument.

By executing the Series Instrument, (i) the Issuer has appointed the Trustee to act as trustee in respect of the Notes on the trust terms (the **Trust Terms**) and (ii) security is created over the Series Assets in favour of the Trustee on behalf of the Series Parties on the security terms (the **Security Terms**), in each case, as set out and modified in and incorporated by reference into the Series Instrument.

By executing the Series Instrument, the Issuer, the Agents and the Trustee have entered into the Agency Agreement on the terms set out in and incorporated by reference into the Series Instrument with the Principal Agent, the Paying Agents, the Custodian, the Servicer, the Calculation Agent and the Selling Agent.

The Issuer and the Purchaser have, by executing the Series Instrument, entered into the Purchase Agreement. The Issuer and the Hedging Counterparty have, by executing the Series Instrument, entered into the Hedging Agreement.

Copies of the Series Instrument and the documents incorporated by reference therein (including the provisions of the Agency Agreement, the Purchase Agreement and the Hedging Agreement) are available for inspection during normal office hours at the registered office of the Trustee and the specified office of the Paying Agents.

1. Definitions and Interpretation

1.1 Definitions

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

Agency Agreement means the agency agreement in respect of the Notes entered into by the Issuer, the Trustee and the Agents by their execution of the Series Instrument, as amended, restated and/or supplemented from time to time.

Agents means the Principal Agent, the Paying Agents, the Custodian, the Servicer, the Calculation Agent, the Selling Agent or any of them and all references to an Agent shall include such further or other person or persons as may be appointed from time to time as agent under the Agency Agreement with the prior written approval of the Trustee under the Series Instrument.

Aggregate Nominal Amount means the aggregate of the Nominal Amounts of the Notes issued on the Issue Date, being up to EUR 100,000,000 and subject to reduction following the Issue Date pursuant to Condition 5.2.

Bearer Global Note has the meaning given to that term in Condition 2.1 (*Form of Notes*).

Business Day means 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 London and Luxembourg and a day on which the Clearing Agent is open for business and a TARGET2 Settlement Day.

Calculation Agent means Deutsche Bank AG, acting through its London Branch.

Clearing Agent means Clearstream, Luxembourg and Euroclear and any successor(s).

Clearstream, Luxembourg means Clearstream Banking, société anonyme in Luxembourg.

Collateral has the meaning given to that term in Condition 6.1 (*Series Assets*).

Company means Palladium Securities 1 S.A.

Custodian means Deutsche Bank Luxembourg S.A.

Day Count Fraction means the number of days in the relevant Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months each comprising 30 days unless (A) the last day of the Interest Period is the 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a month comprising 30 days or (B) the last day of the Interest 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 month comprising 30 days).

Early Closure means the subscription, in aggregate, for the Aggregate Nominal Amount of Notes prior to 28 September 2011, in which case the Offer Period will end on the date on which the Issuer determines, in its sole discretion, that such subscription, in aggregate, has occurred.

Early Redemption Event has the meaning given to that term in Condition 5.1 (*Mandatory Redemption*).

Early Termination Amount has the meaning given to that term in Condition 5.1 (*Mandatory Redemption*).

EC Treaty means the Treaty on the Functioning of the European Union, as amended.

Entitled Beneficiary has the meaning given to that term in Condition 6.6.2 (*Trustee*).

Euro, euro, € and EUR each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty.

Euroclear means Euroclear Bank SA/N.V.

Event of Default means each of the events specified as such in Condition 10 (*Events of Default*).

Extraordinary Resolution has the meaning given to that term in the Series Instrument.

Hedging Agreement means the hedging agreement between the Issuer and the Hedging Counterparty in respect of the Notes on the terms of the ISDA Master Agreement schedule incorporated by reference into the Series Instrument, as supplemented by a confirmation relating to an interest rate swap, entered into by the Issuer and the Hedging Counterparty and dated the Issue Date.

Hedging Counterparty means Deutsche Bank AG, acting through its London Branch or any successor in such capacity.

Interbank Market means the euro-zone interbank market.

Interest Accrual Date means 31 March, 30 June, 31 September and 31 December in each year commencing on and including 31 December 2011 to and including the Maturity Date, save that where any such date does not fall on a Business Day, it shall be postponed to the next day which is a Business Day.

Interest Amount has the meaning given to that term in Condition 3.2 (*Interest Amount*).

Interest Payment Date means each Interest Accrual Date.

Interest Period means the period commencing on (and including) the Issue Date to (but excluding) the first Interest Accrual Date and each period commencing on (and including) an Interest Accrual Date to (but excluding) the next following Interest Accrual Date.

Interest Rate has the meaning given to this term in Condition 3.2 (*Interest Amount*).

Issue Date means 30 September 2011.

Issuer means the Company acting in respect of Compartment 64-2011-06.

Luxembourg means the Grand Duchy of Luxembourg.

Luxembourg Company Law means the Luxembourg law dated 10 August 1915 on commercial companies, as amended.

Luxembourg Paying Agent means Deutsche Bank Luxembourg S.A.

Maturity Date has the meaning given to that term in Condition 3.1 (*Redemption at Maturity*).

Net Proceeds means the net proceeds of the realisation of the Series Assets.

Nominal Amount means EUR 1,000.

Noteholder Expenses means, in respect of a Note, all taxes, duties and/or expenses, including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, in each case payable or suffered by or on behalf of the Issuer and arising in connection with any payment due following cancellation, repurchase, redemption or otherwise in respect of such Note.

Offer Period means 17 August 2011 to 28 September 2011.

Paying Agents means the Principal Agent and the Luxembourg Paying Agent.

Payment Day means any day which is (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation and London and Luxembourg; and (ii) a day on which TARGET2 is open.

Permitted Indebtedness has the meaning given to that term in Condition 8.1.1.

Permitted Investments has the meaning given to that term in Condition 8.1.1.

Potential Event of Default means an event which, with the giving of notice and/or lapse of time and/or the forming of an opinion and/or the giving of any certificate and/or the making of any determination, would become an Event of Default.

Principal Agent means Deutsche Bank AG, acting through its London Branch.

Programme means the Issuer's programme for the issuance of debt instruments and beneficiary shares under which, among others, this Series of Notes has been issued.

Purchase Agreement means the purchase agreement in respect of the Notes pursuant to which the Notes are purchased by the Purchaser on the Issue Date, entered into by the Issuer and the Purchaser on the Issue Date, as amended, restated and/or supplemented from time to time.

Purchaser means Deutsche Bank AG, acting through its London Branch or any successor in such capacity.

Redemption Amount has the meaning given to this term in Condition 3.1 (*Redemption at Maturity*).

Reference Banks means Deutsche Bank AG and two banks designated by the Calculation Agent at the relevant time.

Relevant Rating Agency means one or more of Standard & Poor's Credit Market Services Europe Limited, Moody's Investor Service Ltd. and Fitch Ratings Ltd.

Representative Amount means an amount that is representative for a single transaction in the relevant market at the relevant time.

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

Securitisation Act 2004 means the Luxembourg act dated 22 March 2004 on securitisation, as amended.

Selling Agent means Deutsche Bank AG, acting through its London Branch.

Series Assets has the meaning given to that term in Condition 6.1 (*Series Assets*).

Series Instrument means the series instrument dated the Issue Date made between, amongst others, the Issuer and the Trustee, by which the Notes are constituted and secured, as amended, restated and/or supplemented from time to time.

Series Parties means the Trustee, the Agents, the Purchaser, the Hedging Counterparty and the Noteholders.

Servicer means Deutsche Bank Luxembourg S.A.

Shortfall means the amount, if any, by which the amount of the Net Proceeds is less than the payments which would, but for the provisions of Condition 6.6 (*Realisation of the Series Assets*), have been due under the Notes and/or to any Series Parties.

Substitute Company has the meaning given to that term in Condition 12.4 (*Substitution*).

Successor Source means:

(a) the successor display page, other published source, information vendor or provider that has been officially designated by the sponsor of Reuters Screen EURIBOR01 Page; or

(b) if the sponsor has not officially designated a successor display page, other published source, service or provider (as the case may be), the successor display page, other published source, service or provider, if any, designated by the relevant information vendor or provider (if different from the sponsor).

TARGET2 Settlement Day means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

Trustee means Deutsche Trustee Company Limited of Winchester House, 1 Great Winchester Street, London EC2N 2DB and any successor, substitute or additional Trustee from time to time appointed.

Underlying Floating Interest Rate means, in respect of an Interest Period , 3-month EURIBOR® .

United States has the meaning given to that term in Rule 902 under the Securities Act.

US Persons or individually a US Person has the meaning given to that term in Rule 902 under the Securities Act.

3-month EURIBOR® means the rate per annum for deposits in euro for a period of three months which appears on the Reuters Screen EURIBOR01 Page (or any Successor Source) as of 11.00 a.m., Brussels time, on each Business Day in the relevant Interest Period. If such rate does not appear on the Reuters Screen EURIBOR01 Page (or such Successor Source as aforesaid) on such day, 3-month EURIBOR® for the relevant Business Day shall be determined on the basis of the rates at which deposits in EUR are offered by Reference Banks at approximately 11.00 a.m., Brussels time, on the relevant Business Day to prime banks in the Euro-zone interbank market for a period of three months commencing on the relevant Business Day and in a Representative Amount assuming an Actual/360 day count basis. The Calculation Agent will request the principal Euro-zone office of each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided as requested, 3-month EURIBOR® for the relevant Business Day will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, 3-month EURIBOR® for the relevant Business Day will be the arithmetic mean of the rates quoted by major banks in the Euro-zone, selected by the Calculation Agent, at approximately 11.00 a.m., Brussels time, on the relevant Business Day for loans in EUR to leading European banks for a period of three months commencing on the relevant Business Day and in a Representative Amount. If no such rates are quoted, 3-month EURIBOR® for the relevant Business Day will be the rate determined by the Calculation Agent in its sole and absolute discretion by reference to such source(s) and at such time as it deems appropriate. For any calendar day that is not a Business Day, the applicable rate shall be the rate published or otherwise determined by the Calculation Agent in accordance with the foregoing on the immediately preceding Business Day. The rate for any day from and including the day which falls five Business Days prior to the last day of the relevant Interest Period (the **Rate Cut-off Date**) shall be the rate published or otherwise determined by the Calculation Agent in accordance with the foregoing on such Rate Cut-off Date.

1.2 Interpretation

Reference in these Conditions to **Notes** means the EUR Series 64 Range Accrual Notes due 31 March 2016 in an aggregate nominal amount of up to EUR 100,000,000 and linked to the EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società Cooperativa. For the avoidance of doubt, the Issuer shall be under no obligation to issue such aggregate nominal amount of Notes and may issue any aggregate nominal amount of Notes up to, but not exceeding, such amount on the Issue Date.

The terms **Notes**, **holder of Notes** and **Noteholder** shall be construed in accordance with Condition 2.2 (*Title and Transfer*).

In these Conditions and in the Series Instrument, the term **outstanding** means, in relation to the Notes, all the Notes issued except (a) those which have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption in accordance with these Conditions has occurred and the redemption moneys (including all interest accrued thereon to the date for such redemption and any interest payable under these Conditions after such date) have been duly paid, (c) those which have become void and those in respect of which claims have become prescribed in accordance with these Conditions, (d) those which have been purchased and cancelled as provided in these Conditions, (e) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes, and (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued; provided that for the purposes of (1) the exercise of any right of the Noteholders (other than to payment) and (2) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders, those Notes which are beneficially held by or on behalf of the Issuer and not cancelled shall (unless no longer so held) be deemed not to remain outstanding.

2. Form and Title

2.1 Form of Notes

The Notes are issued in bearer form, complying with the requirements prescribed by the Luxembourg Company Law, in the denomination of the Nominal Amount.

The Notes will initially be represented by interests in a temporary global note (a **Temporary Bearer Global Note**) in bearer form, without interest coupons, which will be deposited on the relevant Issue Date with the Clearing Agent or its depositary or custodian. The Notes will be issued in compliance with U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the **TEFRA D Rules**).

On and after the date specified in the relevant Temporary Bearer Global Note, the Temporary Bearer Global Note may be exchanged for interests in a permanent global note (a **Permanent Bearer Global Note** and together with a Temporary Bearer Global Note, each a **Bearer Global Note**) in bearer form, without interest coupons, in accordance with the provisions in such Bearer Global Notes.

The following legend will appear on the Bearer Global Notes:

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

NO US PERSON (AS DEFINED IN REGULATION S OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED) MAY BENEFICIALLY OWN ANY PORTION OF THIS OBLIGATION AND, AS PROVIDED HEREIN, NO SUCH PERSON SHALL BE ENTITLED TO PAYMENT OF PRINCIPAL OR INTEREST ON OR IN RESPECT OF THIS OBLIGATION."

This legend provides that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes.

Notes in definitive form will not be issued, save in the limited circumstances described in the Permanent Bearer Global Note.

2.2 Title and Transfer

Each person (other than another Clearing Agent) who is for the time being shown in the records of the Clearing Agent as the holder of an aggregate nominal amount of the Notes shall be treated to the fullest extent permitted by applicable laws and unless otherwise ordered by a court of competent jurisdiction by the Issuer, the Trustee and the Agents as the holder of such aggregate nominal amount of the Notes and for all purposes other than with respect to the payment of principal or interest on such aggregate nominal amount of the Notes, the rights to which shall be vested solely in the bearer of the Bearer Global Note and for which purpose such bearer shall be deemed to be the holder of such aggregate nominal amount of the Notes (and the terms **Notes**, **holder of Notes**, **Noteholder** and related expressions shall be construed accordingly). Interests in the Bearer Global Note will be transferable in accordance with applicable law and any rules and procedures for the time being of the Clearing Agent.

2.3 Transfer and Exchange

The Notes may not be exchanged for Notes in registered form.

Transfers of the Bearer Global Note shall be limited to transfers of the Bearer Global Note, in whole but not in part, to the Clearing Agent or its custodian or nominee or to a successor to such Clearing Agent.

2.4 Status

The Notes are limited recourse obligations of the Issuer, ranking *pari passu* without any preference among themselves, which are subject to the provisions of the Securitisation Act 2004 and secured in the manner described in Condition 6 (*Series Assets, Collateral and Security*) and recourse in respect of which is limited in the manner described in Condition 6.6 (*Realisation of the Series Assets*).

3. Interest and Redemption

3.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled and subject as provided in these Conditions, each Note will be redeemed by the Issuer, by payment of the Nominal Amount (the **Redemption Amount**) on 31 March 2016 (the **Maturity Date**). For the purposes of the Luxembourg Company Law, the Notes shall not be redeemable by the drawing of lots.

3.2 Interest Amount

Subject to Condition 4.3 (*Payment Day*), on each Interest Payment Date, the Issuer shall pay, in respect of each Note, the relevant Interest Amount determined in respect of the Interest Period ending immediately prior to such Interest Payment Date.

Interest Amount means in relation to an Interest Period and each Note equal to the Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Day Count Fraction

Interest Amounts shall be rounded to the nearest whole unit in EUR, with half a unit being rounded downwards.

The Interest Amount (if any) is payable by the Issuer as consideration for the use of the Nominal Amount in respect of a Note.

Interest Rate means a rate calculated as follows:

(i) 3.90 per cent. per annum; multiplied by

(ii) N divided by D,

where:

N means the number of calendar days in the relevant Interest Period on which the Underlying Floating Interest Rate is greater than or equal to 1.00 per cent. and less than or equal to 4.50 per cent.; and

D means the actual number of calendar days in the relevant Interest Period.

4. Payments, Noteholder Expenses and Taxation

4.1 Method of payment

Payments will be made by the Principal Agent to the Clearing Agent for further credit to the Noteholders.

If a payment of any amount to be paid to the bearer of the Bearer Global Note held on behalf of the Clearing Agent, according to the rules of the relevant Clearing Agent, cannot be made in EUR, such payment shall be made in the currency principally used by the Clearing Agent for payments to securityholders holding accounts with such Clearing Agent, following a conversion of the relevant amount from EUR, using the rate of exchange determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate.

4.2 Presentation

Payments will, subject as provided below, be made in the manner provided in Condition 4.1 (*Method of Payment*) and otherwise in the manner specified in the Bearer Global Note against presentation or surrender, as the case may be, of the Bearer Global Note at the specified office of any Paying Agent. A record of each payment made against presentation or surrender of the Bearer Global Note will be made on the Bearer Global Note by the relevant Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

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

4.3 Payment Day

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

4.4 General

In the absence of negligence (or, in case of the Trustee, gross negligence) or wilful default on its part, none of the Issuer, the Trustee, the Calculation Agent and any other Agent shall have any responsibility for any errors or omissions in the calculation of amounts payable hereunder or in any other determination pursuant to the provisions hereof.

4.5 Payments subject to law, etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives. Redemption of the Notes is subject to all applicable laws, regulations and practices in force on any relevant date of redemption, as the case may be, and neither the Issuer nor the Trustee nor any Agent shall incur any liability whatsoever if the Issuer or the Agent is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. Neither the Issuer nor the Trustee nor the Principal Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Notes.

4.6 Noteholder Expenses

In respect of each Note, all Noteholder Expenses in respect thereof shall be for the account of the relevant Noteholder and any payment in respect of a Note shall only be made after all Noteholder Expenses in respect thereof have been paid or otherwise accounted for to the satisfaction of the Issuer.

4.7 Taxation

All payments in respect of the Notes will be subject in all cases to all applicable fiscal and other laws and regulations (including, where applicable, laws requiring the deduction or withholding for, or on account of, any tax, duty or other charge whatsoever). The Issuer shall not be liable for or otherwise obliged to pay, and the relevant Noteholder shall be liable for and/or pay, any tax, duty, charge, withholding or other payment whatsoever which may arise as a result of, or in connection with, the ownership, any transfer (or agreement to transfer), any payment in respect of the Notes held by such Noteholder. The Issuer shall have the right, but shall not be obliged, to withhold or deduct from any amount payable due to the Noteholder, such amount as shall be necessary to account for or to pay any such tax, duty, charge, withholding or other payment.

5. Early Redemption and Purchases

5.1 Mandatory redemption

The Notes will be redeemed if:

5.1.1 any of the Collateral becomes repayable or becomes capable of being declared due and repayable prior to its originally scheduled maturity date as a result of a default, an event of default or other similar event or any event or condition having substantially the same effect;

5.1.2 a default or a potential default (including when a holder of any of the Bond Collateral receives a notice stating that a payment will not be made on any scheduled payment date) in the payment of any amount due as principal, interest or otherwise under any of the Bond Collateral without regard to any applicable grace period or deferral provisions that would defer the originally scheduled maturity date until a later date;

5.1.3 any withholding or similar tax is imposed on amounts payable under all or any part of the Collateral; or

5.1.4 the Hedging Agreement is terminated in full prior to the Maturity Date.

Upon the occurrence of any event described in Conditions 5.1.1, 5.1.2, 5.1.3 or 5.1.4 (each, an **Early Redemption Event**), the Issuer shall forthwith give notice to the Trustee, the Selling Agent, the Noteholders and the Luxembourg Stock Exchange specifying the aggregate nominal amount of the Notes to be redeemed and the due date for redemption and upon expiry of such notice (i) the Issuer shall redeem all but not some only of the outstanding Notes at their Early Termination Amount, (ii) the Series Assets will be subject to realisation pursuant to Condition 6.6.1 (*Realisation of Series Assets by Selling Agent*) in accordance with the Securitisation Act 2004 and (iii) following payment of the Early Termination Amount, no further amounts in respect of interest or principal will be payable in respect of the Notes.

In the event of such redemption, the Selling Agent will take such action to realise the Series Assets as is provided in Condition 6.6.1 (*Realisation of Series Assets by Selling Agent*).

Early Termination Amount means in respect of each Note, an amount, determined by the Calculation Agent in its reasonable discretion, equal to (a) the net proceeds of the sale or realisation

of the Series Assets after deduction of all prior ranking payments in accordance with Condition 6.5 (*Application of Proceeds of Series Assets*) divided by (b) the number of Notes outstanding on the due date for redemption.

5.2 Purchases

Subject to receipt by the Issuer of an amount (whether by sale of the Collateral (or in the case of a purchase of some only of the Notes, a proportion of the Collateral corresponding to the proportion of the Notes to be purchased) or otherwise) which, plus or minus any termination amount and any expenses payable to or by the Issuer from or to the Hedging Counterparty or other relevant party on the termination (or, as the case may be, partial termination) of the Hedging Agreement, is sufficient to fund the purchase price payable by the Issuer, the Issuer may purchase Notes in the open market or otherwise at any price.

5.3 Cancellation

All Notes purchased by or on behalf of the Issuer must be cancelled by surrendering the Bearer Global Note for endorsement to, or to the order of, the Principal Agent and, when so surrendered, the Bearer Global Note will be endorsed to reflect such cancellation. Any Notes cancelled or so surrendered for cancellation may not be held, reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

5.4 Settlement and Settlement Procedure

5.4.1 Rounding

For the purposes of any calculations required pursuant to the provisions hereof (unless otherwise specified), (x) all percentages resulting from such calculation will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up) and (y) all currency amounts which fall due and payable will be rounded to the nearest EUR 0.01 (with halves being rounded down).

5.4.2 Determination or Calculation by Trustee

If the Calculation Agent fails at any time for any reason to determine or calculate the Redemption Amount or an Interest Amount or to comply with any other requirement of it in relation to the Notes, the Trustee shall do so (or, at the expense of the Issuer, shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5.4 (*Settlement and Settlement Procedure*), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

5.4.3 Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.4 (*Settlement and Settlement Procedure*) whether by the Calculation Agent or the Trustee or its appointee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Agent, the Paying Agents, the Calculation Agent and all Noteholders.

6. Series Assets, Collateral and Security

6.1 Series Assets

The Securitisation Act 2004 provides that the Series Assets (and the proceeds thereof) specified below are available solely to meet the claims of the Series Parties.

The **Series Assets** in respect of the Notes is the EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società Cooperativa in an aggregate principal amount equal to the Aggregate Nominal Amount of the Notes as of the Issue Date (the **Collateral**) where Banco Popolare - Società Cooperativa is the **Collateral Issuer**; (ii) the Hedging Agreement; and (iii) the rights of the Issuer under the Agency Agreement and Purchase Agreement.

6.2 Collateral

The Issuer will procure that the Collateral is delivered to the Custodian on the Issue Date and, with effect from such delivery, the Collateral will be held by the Custodian on behalf of the Issuer and subject to the security created (subject to the conditions set out in the Securitisation Act 2004) by or pursuant to the Series Instrument.

6.3 Security

Pursuant to the Series Instrument, the following security is created over the Series Assets in favour of the Trustee on behalf of the Series Parties on the terms of the Security Terms:

6.3.1 (i) a first fixed charge and/or assignment by way of first fixed charge in favour of the Trustee of the Collateral and all of the Issuer's rights in respect of and sums derived from the Collateral (including, without limitation, any proceeds of the sale thereof) and (ii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights in respect of the Collateral against the Custodian;

6.3.2 an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest under the Hedging Agreement and any sums of money, securities or other property received or receivable by the Issuer thereunder;

6.3.3 a first fixed charge in favour of the Trustee over (i) the Issuer's right to all sums held by the Principal Agent and/or any Paying Agent and/or the Custodian to meet payments due in respect of the Notes or under the Series Instrument and (ii) any sums of money, securities or other property received or receivable by the Issuer under the Hedging Agreement; and

6.3.4 an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest under the Agency Agreement and the Purchase Agreement and all sums derived therefrom in respect of the Notes.

6.4 General provisions relating to security

The security constituted or created pursuant to the Series Instrument will be granted to the Trustee for itself and as trustee under the Series Instrument as continuing security (i) for the payment of all sums due to the Trustee or any receiver under the Series Instrument, (ii) for the payment of all sums due under the Notes, (iii) for the payment of all sums payable to the Selling Agent pursuant to the Agency Agreement, (iv) for the performance of the Issuer's obligations under the Hedging Agreement and (v) for the payment of all sums payable to the Principal Agent pursuant to any provision of the Agency Agreement which requires the Issuer to reimburse (and to pay interest on the amount reimbursed as provided in the Agency Agreement) the Principal Agent for any amount

paid out by the Principal Agent to the Noteholders before receipt of the corresponding amount due from the Issuer.

Enforceability

The security constituted by or created pursuant to the Series Instrument shall become enforceable upon the occurrence of an Event of Default (as defined in Condition 10 (*Events of Default*)).

Holder of Collateral

The Collateral will be held by the Custodian on behalf of the Issuer in accordance with the Agency Agreement and subject to the security referred to in Condition 6.3 (*Security*). The Issuer reserves the right at any time with the prior written consent of the Trustee to change the Custodian, which must however always be a credit institution established or having its registered office in Luxembourg and which needs to be approved beforehand by the Luxembourg *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as supervisory authority of regulated securitisation undertakings. Notice of such change shall be given to the Noteholders in accordance with Condition 15 (*Notices and Provision of Information*). Under the terms of the Agency Agreement, the Custodian may appoint one or more sub-custodians in relation to the Collateral, but such appointment shall not relieve the Custodian of any of its duties under the Agency Agreement.

Floating Charge

The obligations of the Issuer in relation to all series of securities issued under the Programme (including this Series of Notes) in relation to which the Issuer appoints the Trustee as the trustee under the series instrument constituting such Series (including the Series Instrument of this Series of Notes) will also be secured pursuant to the Deed of Floating Charge dated 16 December 2004, as supplemented by the First Supplemental Deed of Floating Charge dated 30 May 2007 (together, the **Deed of Floating Charge**), by a floating charge over the whole of the Company's undertaking and assets (other than its share capital and any fees generated in respect of the issue of securities and, for the avoidance of doubt, any moneys available to the Issuer or the Company after application of the series assets of any Series in accordance with the priorities set out in the applicable series instrument) to the extent that (i) such undertaking and assets are not effectively encumbered by any security created in favour of the Trustee by or pursuant to any series instrument and/or additional security document entered into in relation to a Series or any security created by or pursuant to any other issue of securities by the Issuer or the Company and (ii) such undertaking and assets are not allocated to a compartment (within the meaning of the Securitisation Act 2004) which has been set up by the Issuer or the Company in connection with a Series or any other issue of securities by the Issuer or the Company. The obligations of the Issuer are, however, limited in recourse as provided in Condition 11 (*Enforcement*), and accordingly, even if the security created by the floating charge may become enforceable, the amounts due to the Noteholders and the Hedging Counterparty will not be increased as a result thereof and shall be limited to the net proceeds of realisation of the Series Assets and subject to the provisions of Condition 6 (*Series Assets, Collateral and Security*) as to application of such net proceeds and to the provisions of Condition 11 (*Enforcement*).

Responsibility of the Trustee

The Series Instrument provides that the Trustee shall not be bound or concerned to make any investigation into, or be responsible for, amongst others:

(1) the creditworthiness of the Collateral Issuer or any obligor or guarantor in respect of the Collateral or of the Hedging Counterparty or any other person which is a party to any other agreement or document constituting or evidencing any of the Collateral or the other Series Assets; or

(2) the validity, sufficiency or enforceability of the obligations of any such person as is referred to in sub-paragraph (1) above or of the security constituted by or pursuant to the Series Instrument or any other agreement or document constituting the security for the Notes; or

(3) whether the cashflows relating to the Collateral and/or the Series Assets and the Notes are matched.

6.5 Application of Proceeds of Series Assets

The Trustee will apply all moneys received by it in connection with the realisation or enforcement of the Series Assets in accordance with the following provisions of this Condition 6.5 (*Application of Proceeds of Series Assets*):

6.5.1 *first*, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts incurred by or payable to the Trustee or any receiver under or pursuant to the Series Instrument (which for the purpose of this Condition 6.5 (*Application of Proceeds of Series Assets*) and the Series Instrument shall include any taxes required to be paid, the costs of realising any security and the Trustee's remuneration);

6.5.2 *secondly*, pro rata in payment of any amounts owing to:

(i) the Hedging Counterparty under the Hedging Agreement (which for the purpose of this Condition 6.5 (*Application of Proceeds of Series Assets*) and the Series Instrument shall include any amounts owing to the Custodian for reimbursement in respect of payments made to the Hedging Counterparty relating to sums receivable on or in respect of the Collateral) and all legal and other ancillary costs (including all costs (if any) in relation to the realisation of the Collateral) incurred by the Hedging Counterparty as a result of an Early Redemption Event; and

(ii) the Principal Agent for reimbursement in respect of any payment made to holders of the Notes or to a Clearing Agent on behalf of such holders;

6.5.3 *thirdly*, pro rata in payment of any amounts owing to the holders of the Notes; and

6.5.4 *fourthly*, in payment of the balance (if any) to the Issuer.

6.6 Realisation of the Series Assets

6.6.1 Realisation of Series Assets

In the event of the realisation of the Series Assets constituted by a Series Instrument the Trustee may, at its discretion, and shall:

(i) if requested in writing by the holders of at least one-fifth in aggregate Nominal Amount of the Notes then outstanding; or

(ii) if directed by an Extraordinary Resolution (as defined in the Series Instrument) of the Noteholders; or

(iii) if directed in writing by the Hedging Counterparty (but only if the Hedging Agreement has terminated in accordance with its terms prior to its scheduled termination date or, on or after the scheduled termination date of the Hedging Agreement, if sums remain owing to any Hedging Counterparty under the Hedging Agreement(s)),

do one or more of the following:

(a) instruct the Selling Agent to endeavour to sell or otherwise realise the Collateral in accordance with Condition 6.6.2 (*Selling Agent*) and the provisions of the Agency Agreement;

(b) take other steps to realise all or some of the Collateral;

(c) terminate and/or enforce and/or realise each Hedging Agreement or other agreement entered into by the Issuer, the rights of the Issuer in respect of which form part of the Series Assets; and

(d) otherwise enforce the security constituted by or pursuant to the Series Instrument,

in each case without any liability as to the consequences of such action and without having regard to the effect of such action on individual Noteholders and provided that the Trustee shall not be required to take any action under this Condition without first being indemnified and/or secured and/or pre-funded to its satisfaction or to do anything which is or may be contrary to any applicable law. Subject as provided in the following paragraph, any request or direction given by the person or persons ranking in priority immediately after the Trustee (the **Entitled Beneficiary**) pursuant to the provisions of Condition 6.5 (*Application of Proceeds of Series Assets*) will have priority over any conflicting direction given under this Condition 6.6.1 and, in the absence of any such request or direction, the Trustee may at its discretion decline to act on any request or discretion given by any other person.

6.6.2 Selling Agent

If the Selling Agent is instructed by the Trustee in accordance with Condition 6.6.1 to endeavour to sell or otherwise realise the Collateral, the Selling Agent shall, on behalf of and as the agent of the Trustee pursuant to, and in accordance with, the provisions of the Agency Agreement, use all reasonable endeavours to sell or otherwise realise the Collateral as soon as reasonably practicable on or after the date on which it receives such instruction at its best execution price less any commissions or expenses charged by the Selling Agent and specified for this purpose in the Series Instrument.

If, however, the Selling Agent determines that there is no available market for the Collateral, or if the Selling Agent otherwise determines that it is impossible to sell or otherwise realise the Collateral or any part of it, the Selling Agent will promptly notify the Issuer, the Trustee and each Hedging Counterparty of such lack of availability or impossibility and the Selling Agent shall not be required to effect the sale or other realisation of the Collateral or any further part of it. Any such determination by the Selling Agent shall be in its sole discretion and shall be binding on the Issuer, the Trustee, the Hedging Counterparty and the Noteholders. In the event that the Selling Agent makes such determination, the Trustee may, at its discretion, and shall if so requested or directed in accordance with Condition 6.6.1 (but subject in each case to its first being indemnified and/or secured and/or pre-funded to its satisfaction in accordance with such Condition) realise all or part of the Collateral by other means.

In order to obtain its best execution price for the above purposes, the Selling Agent shall be required to take reasonable care to ascertain the price which is the best available for the sale or other realisation of the Collateral at the time of the sale or other realisation for transactions of the kind and size concerned and, unless circumstances require the Selling Agent to do otherwise in the interests of the Debt Instrumentholders, to deal at a price which is not less advantageous to the Debt Instrumentholders.

The Trustee shall have no responsibility or liability for the performance by the Selling Agent of its duties under this Condition 6.6.2 or for the price or time at which any of the Collateral may be sold or otherwise realised.

The Issuer expressly agrees with the provisions of this Condition 6.6 and authorises the Trustee to act in accordance with such provisions.

6.7 Shortfall after application of proceeds

If the Net Proceeds are not sufficient to make all payments due in respect of the Notes and/or any other obligations secured thereby, then the obligations of the Issuer in respect of the Notes and/or any such other obligations will be limited to such Net Proceeds. The other assets of the Issuer will not be available for payment of any Shortfall arising therefrom.

The Issuer will not be obliged to make any further payment in excess of the Net Proceeds and any right to receive any further sum in each case in respect of any Shortfall remaining after realisation of the Series Assets under Condition 6.6 (*Realisation of the Series Assets*) and application of the proceeds in accordance with the Series Instrument shall be extinguished and neither the Trustee nor any Noteholder nor any Series Party (nor any person acting on behalf of any of them) may take any further action to recover such Shortfall. In particular, no such party will be able to petition for the winding-up of the Issuer. Failure to make any payment in respect of any Shortfall shall in no circumstances constitute an Event of Default under Condition 10 (*Events of Default*).

6.8 Issuer's rights as holder of Collateral

The Issuer may exercise any rights in its capacity as holder of the Collateral only with the prior written consent of the Hedging Counterparty (which consent may be given or withheld at the discretion of the Hedging Counterparty) and the Trustee (which consent may only be given by the Trustee in its sole discretion if it is satisfied that to do so will not be materially prejudicial to the interests of the Noteholders) or if directed by an Extraordinary Resolution of the Noteholders and, if such consent or direction is given, the Issuer will act only in accordance with such consent or direction. In particular, the Issuer will not attend or vote at any meeting of holders of the Collateral, or give any consent or notification or make any declaration in relation to the Collateral, unless the Hedging Counterparty and the Trustee shall give their prior written consent as aforesaid.

7. Hedging Agreement

7.1 Conclusion of Hedging Agreement; Nominal Amount

The Hedging Agreement is entered into between the Issuer and the Hedging Counterparty by the execution of the Series Instrument and a trade confirmation in respect of an interest rate swap under a 1992 ISDA Master Agreement governed by English law. The nominal amount of the Hedging Agreement (the **Hedge Nominal Amount**) will be equal to the Aggregate Nominal Amount of the Notes.

7.2 Principal Obligations of the Issuer under the Hedging Agreement

The Issuer is obliged under the Hedging Agreement to pay to the Hedging Counterparty the interest and principal payments that it is scheduled to receive under the Collateral.

7.3 Principal Obligations of the Hedging Counterparty under the Hedging Agreement

The Hedging Counterparty is obliged under the Hedging Agreement to pay to the Issuer on or prior to each Interest Payment Date interest on the Hedge Nominal Amount in an amount corresponding to the aggregate Interest Amounts and any principal amounts then falling due under the Notes, provided that no Early Redemption Event has occurred.

7.4 Termination

The Hedging Agreement will terminate on the Maturity Date, unless terminated earlier in accordance with its terms, including due to an event of default or termination event under the Hedging Agreement. The Hedging Agreement will terminate in full if all the Notes are cancelled prior to the Maturity Date pursuant to any provision of Condition 5 (*Early Redemption and Purchases*) or upon the occurrence of an Event of Default and the Hedging Agreement will terminate in part (on a pro rata basis in a proportion of its nominal amount equal to the proportion that the Nominal Amount of the Notes being cancelled bears to the Aggregate Nominal Amount of Notes immediately prior to such cancellation) if some of the Notes are cancelled prior to the Maturity Date pursuant to any provision of Condition 5 (*Early Redemption and Purchases*). Upon the termination of the Hedging Agreement, in full or in part, a termination amount will be calculated, and will be payable by either the Issuer or the Hedging Counterparty, in each case in accordance with the terms of the Hedging Agreement. Such termination amount is determined, in part, by reference to the termination value of the interest rate swap as of the date of the early termination of the Hedging Agreement. The termination value of the interest rate swap is determined pursuant to the terms of the Hedging Agreement, which incorporates a 1992 ISDA Master Agreement (the Master Agreement). The Master Agreement is a standard form agreement used generally in derivatives markets for swap transactions, and includes procedures for valuing a swap transaction, on its termination, by reference to the cost or benefit to the Issuer of terminating the interest rate swap, which amount can be determined by reference to market participants' quotations for the swap transaction as of the time of the termination.

7.5 Taxation and Termination of Hedging Agreement for Tax Reasons

Neither the Issuer nor the Hedging Counterparty is obliged under the Hedging Agreement to gross up payments to be made by it to the other if withholding taxes are imposed on such payments, but the Hedging Agreement is terminable in such event. If the Issuer, on the occasion of the next payment due under the Hedging Agreement, would be required by law to withhold or account for tax such that it would be rendered unable to make payment of the full amount due or would be required to account for tax or would suffer tax on its income in respect of the amount paid to it, the Issuer shall so inform the Trustee in writing.

8. Restrictions

The Issuer has covenanted in the Series Instrument that, *amongst other things*, so long as any of the Notes remain outstanding, it will not, without the consent of the Trustee (which may only be given if the Trustee is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders):

8.1 engage in any activity or do any thing whatsoever except:

8.1.1 issue instruments which are subject to the Securitisation Act 2004 and the enforcement and limited recourse provisions contained in the Series Instrument (**Permitted Investments**) or otherwise incur indebtedness in respect of moneys borrowed or raised where such indebtedness is incurred on terms that it is subject to the Securitisation Act 2004 and/or relates to assets or other property which are not part of the Series Assets of any other instruments and on terms which provide for the extinguishment of all claims in respect of such indebtedness after application of the proceeds of the assets on which such indebtedness is secured (**Permitted Indebtedness**);

8.1.2 enter into any agency agreement, series instrument, hedging agreement, repurchase agreement, deed of floating charge or any deed or agreement of any other kind related to any Permitted Investment or Permitted Indebtedness, but provided always that any such deed or agreement is entered into on terms that the obligations of the Issuer thereunder relate to a Compartment of specified assets of the Issuer (other than its non-compartmented assets) which do not form part of the Series Assets and on

terms which provide for extinguishment of all claims in respect of such obligations after application of the proceeds of the assets on which such indebtedness is secured;

8.1.3 acquire, or enter into any agreement constituting, the Collateral in respect of any Permitted Investment or the assets securing any Permitted Indebtedness to enable it to discharge its obligations under such Permitted Investment or Permitted Indebtedness or the agency agreement, series instrument, hedging agreement, repurchase agreement, deed of floating charge or other deeds or any ancillary agreements relating thereto;

8.1.4 perform its obligations under each Permitted Investment or Permitted Indebtedness, agency agreement, series instrument, hedging agreement, repurchase agreement, deed of floating charge or other deeds or agreements incidental to the issue and constitution of, or the granting of security for, any Permitted Investment or Permitted Indebtedness;

8.1.5 enforce any of its rights under each agency agreement, series instrument, hedging agreement, repurchase agreement, the deed of floating charge or any other deed or agreement entered into in relation to any Permitted Investment or Permitted Indebtedness;

8.1.6 perform any act incidental to or necessary in connection with any of the above;

8.1.7 as permitted by the Conditions;

8.2 have any employees;

8.3 subject to Condition 8.1, dispose of any of its property or other assets or any part thereof or interest therein (subject as provided in these Conditions relating to any Permitted Investment or the terms and conditions of any Permitted Indebtedness);

8.4 issue or create any other series of instruments unless either (a) the trustee thereof is the same person as the Trustee for the instruments or (b) subject to the provisions of the Securitisation Act 2004, the Trustee has received legal advice satisfactory to it from reputable legal advisers in England and the jurisdiction of incorporation of the Company to the effect that the appointment of a person other than the Trustee as trustee of such series of instruments will not adversely affect the ability of the Trustee to appoint an administrative receiver over the assets of the Company pursuant to the Deed of Floating Charge, unless the Relevant Rating Agency has confirmed in writing that such issue or creation would not adversely affect its current rating(s) of any of the rated Instruments issued by the Issuer;

8.5 following an issue of instruments pursuant to which the Issuer has relied on the exemption from registration as an "investment company" under the Investment Company Act provided by Section 3(c)(7) thereof (**Section 3(c)(7)**), issue additional instruments of such series or another series within the United States, or to or for the account or benefit of, US Persons, unless the Issuer further relies on Section 3(c)(7) to maintain its exemption from registration as an "investment company" under the Investment Company Act;

8.6 purchase, own, lease or otherwise acquire any real property (including office premises or like facilities);

8.7 consolidate or merge with any other person; or

8.8 incur any indebtedness for borrowed money other than in respect of the Notes or any Permitted Investment or any Permitted Indebtedness.

9. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or, five years (in the case of interest) from the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which notice is duly given to the Noteholders in accordance with Condition 15 (*Notices and Provision of Information*) that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

10. Events of Default

If any of the following events (each an **Event of Default**) shall occur and be continuing:

10.1 if default is made for a period of 14 days or more in the payment of any sum due in respect of the Notes; or

10.2 if the Issuer fails to perform or observe any of its other obligations under the Notes and the Series Instrument and (unless such failure is, in the opinion of the Trustee, incapable of remedy in which case no such notice as is referred to in this paragraph shall be required) such failure continues for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied (and for these purposes, a failure to perform or observe an obligation shall be deemed to be remediable notwithstanding that the failure results from not doing an act or thing by a particular time); or

10.3 if any order shall be made by any competent court or any resolution passed for the winding-up or dissolution (including, without limitation, any bankruptcy (*faillite*), insolvency, voluntary of judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement),* controlled management (*gestion contrôlée),* fraudulent conveyance (*actio pauliana*), general settlement with creditors or reorganisation proceedings or similar proceedings affecting the rights of creditors generally) of the Company or the Issuer (as appropriate) save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or formal notice is given of an intention to appoint an administrator (including, without limitation, any receiver (*curateur*), liquidator (*liquidateur*), auditor (*commissaire*), verifier (*expert-vérificateur*), *juge délégué* or *juge commissaire*), or any application is made or petition is lodged or documents are filed with the court or administrator in relation to the Company or the Issuer (as appropriate).

The Issuer has undertaken in the Series Instrument that, on each anniversary of the date of the first entry into of the Series Instrument between the Company acting in respect of a compartment and the Trustee and also within 14 days upon request by the Trustee, it will send to the Trustee a certificate signed by a director of the Issuer to the effect that, after making all reasonable enquiries by such director, to the best of the knowledge, information and belief of such director there did not exist, as at a date not more than five days prior to the date of the certificate, nor had there existed at any time prior thereto since the date of the Series Instrument or the date as of which the last such certificate was given, if any, any Event of Default or Potential Event of Default or, if such an Event of Default or Potential Event of Default did then exist or had existed, specifying the same and to such other effect as the Trustee may require.

The Series Instrument provides that the Trustee shall not be under any obligation to monitor whether or not an Event of Default or a Potential Event of Default has occurred or is continuing and until expressly notified to the contrary may assume that no such event has occurred and that the Issuer is complying with all its obligations under the Series Instrument or any other document.

11. Enforcement

At any time the Trustee may, at its discretion and without further notice, take such action or institute such proceedings, other than insolvency related proceedings, against the Issuer as it may think fit to enforce the terms of the Series Instrument and the Notes and, at any time after the Notes or any of them become due and payable or after the security in respect of the Notes becomes enforceable, to the extent provided in the Series Instrument, to enforce the security constituted by the Series Instrument, but it shall not be obliged to take action or any such proceedings unless (a) it shall have been so requested or directed by any person entitled to make such request or give such direction pursuant to Condition 6.6.2 (*Trustee*) and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction and provided that it shall not be obliged to take any action or bring any proceedings if it would be against any applicable law.

Only the Trustee (or, to the extent provided in Condition 6.6.1 (*Realisation of Series Assets by Selling Agent*), the Selling Agent) may pursue the remedies available under the Series Instrument to enforce the rights of the Series Parties, in respect of the Series Assets and the security and no other Series Party is entitled to proceed against the Issuer with respect to realisation of the Series Assets or the security unless the Trustee, having become bound to proceed in accordance with the terms of the Series Instrument, fails or neglects to do so for a reasonable period.

The Series Parties shall have recourse only to the Series Assets and, upon the Selling Agent or the Trustee having realised the same and distributed the net proceeds in accordance with Condition 6.4 (*General provisions relating to security*), the Series Parties or anyone acting on behalf of any of them shall not be entitled to take any further steps against the Issuer or the Trustee to recover any further sum (save for lodging a claim in the liquidation of the Issuer initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer) and the right to receive any such sum shall be extinguished. In particular, none of the Series Parties nor any other party to the Series Instrument shall be entitled to petition or take any other step for the winding-up of the Issuer, nor shall any of them have any claim in respect of any asset of the Issuer not forming part of the Series Assets.

The Trustee shall not be obliged to take any action under the Series Instrument or any other document in respect of a Series unless (a) it has been directed by an Extraordinary Resolution of the Noteholders or (b) it has been so requested or directed by the Hedging Counterparty pursuant to Condition 6.6.2 (*Trustee*) provided that in each case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction and it shall not be obliged to take any action if it would be against any applicable law.

12. Meetings of Noteholders; Modifications; Waiver; Substitution

12.1 Meetings of Noteholders

The Series Instrument contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes (including these Conditions or the provisions of the Series Instrument insofar as the same may apply to such Notes). The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing in the aggregate more than 50 per cent. in Aggregate Nominal Amount of the Notes for the time being outstanding or, at any adjourned such meeting, one or more persons being or representing Noteholders, whatever the aggregate Nominal Amount of the Notes so held or represented, and an Extraordinary Resolution duly passed at any such meeting shall

be binding on all the Noteholders, whether present or not, except that any Extraordinary Resolution proposed, *amongst other things*:

(i) to amend the dates of maturity of the Notes, or any date for any payment in respect thereof,

(ii) to cancel any Note or reduce the Nominal Amount of any Note or reduce any amount payable on redemption or cancellation of, the Notes,

(iii) to reduce the rate or rates of interest (if any) or to modify, except where such modification is in the opinion of the Trustee bound to result in an increase, the method of calculating the amount payable or to modify of the date of payment, or, where applicable the method of calculating the date of payment in respect of any principal, premium or interest (if any) in respect of the Notes,

(iv) to change any maximum or minimum interest rate,

(v) to change any method of calculating the Early Termination Amount or, any other amount payable in respect thereof,

(vi) to change the currency or currencies of payment or denomination of the Notes,

(vii) to take any steps which as specified in the Series Instrument may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply,

(viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution,

(ix) to modify the provisions of the Series Instrument concerning this exception, or

(x) to modify any other provisions specifically identified for this purpose in the Series Instrument,

will only be binding if passed at a meeting of the Noteholders, the quorum at which shall be one or more persons holding or representing 75 per cent. or, at any adjourned meeting, not less than 25 per cent., in Aggregate Nominal Amount of the Notes for the time being outstanding.

Noteholders will be entitled to examine fifteen days before the annual general meeting at the registered office of the Issuer (i) the annual accounts and the list of directors as well as the list of the approved statutory auditors ("*réviseurs d'entreprises agréés*"), (ii) the list of sovereign debt, shares, bonds and other company securities making up the portfolio, (iii) the report of the board of directors of the Company and (iv) the report of the approved statutory auditors.

Noteholders may attend general meetings of the shareholders of the Company and shall be entitled to speak but not to vote.

The provisions relating to meetings of bondholders contained in articles 86 to 94-8 of the Luxembourg Company Law will not apply in respect of the Notes.

12.2 Modification

Without prejudice to the need to obtain the consent of each other party to the relevant agreement or deed, the Trustee may, without the consent of the Noteholders but only with the prior written consent of each Hedging Counterparty, agree to (i) any modification to the Series Instrument, the Hedging Agreement or any other agreement or document entered into in relation to the Notes which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the

opinion of the Trustee, proven, (ii) any modification of any of the provisions of the Series Instrument, the Hedging Agreement or any other agreement or document entered into in relation to the Notes which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders and provided in each case that the Relevant Rating Agency has confirmed in writing that its then current rating of the Notes will not be adversely affected and (iii) any modification of the provisions of the Series Instrument, any Hedging Agreement or any other agreement or document entered into in relation to the Notes which is made to satisfy any requirement of the Relevant Rating Agency or any stock exchange on which the Notes are or are proposed to be, listed and which, in each case, is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders. The Series Instrument provides that the Issuer shall not agree to any amendment or modification of the Series Instrument without first obtaining the consent in writing of the Hedging Counterparty, which consent shall not be unreasonably withheld or delayed.

If the Trustee shall so require, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notices and Provision of Information*).

The Trustee shall be entitled to assume, for the purpose of exercising any power, trust, duty or discretion under or in relation to this Condition 12.2, that any exercise of such power, trust, duty or discretion will not be materially prejudicial to the interests of the relevant Noteholders if the Relevant Rating Agency has confirmed in writing that its current rating(s) of the relevant Notes then in force will not be adversely affected by such exercise.

12.3 Waiver

The Trustee may, without the consent of the Noteholders but only with the prior written consent of the Hedging Counterparty and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, waive or authorise, on such terms and conditions as to it shall seem expedient, any breach or proposed breach by the Issuer of any of the covenants or provisions in the Series Instrument or these Notes or determine that any Event of Default or Potential Event of Default shall not be treated as such provided always that the Trustee shall not exercise any powers conferred on it by this Condition 12.3 in contravention of any express direction given by an Extraordinary Resolution of the Noteholders but no such direction shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination shall be binding on the Noteholders and the Hedging Counterparty.

12.4 Substitution

The Trustee may, subject to the prior written consent of the Hedging Counterparty (which consent shall not be unreasonably withheld or delayed) and subject to the Relevant Rating Agency having confirmed in writing that its current rating of the Notes will not be adversely affected, but without the consent of the Noteholders or any other Series Party, agree to the Issuer (or of any previous substituted company) (for the purposes of this Condition 12.4, the **current Issuer**) being substituted as the principal debtor in respect of the Notes by any other company (the **Substitute Company**), provided that:

(a) an undertaking is given by the Substitute Company to the Trustee in a form satisfactory to the Trustee to be bound by the terms of the Series Instrument and by the Conditions (with any consequential amendments which may be appropriate) as fully as if the Substitute Company had been a party to the Series Instrument and named therein and in any securities or instruments evidencing the Notes as the principal debtor in place of the current Issuer;

(b) the Substitute Company acquires the current Issuer's equity of redemption in the relevant Series Assets, acknowledges the security created in respect thereof pursuant to the Series

Instrument and takes all such action as the Trustee may require so that each such security constitutes a valid first fixed charge or other security interest over the Series Assets for the obligations of the Substitute Company;

(c) if a Director or other authorised officer of the Substitute Company certifies that the Substitute Company will be solvent immediately after the time at which the said substitution is to be effected, the Trustee shall not have regard to the financial condition, profits or prospects of such Substitute Company or compare the same with those of the current Issuer (or any previous substituted company);

(d) the Trustee shall be satisfied that (i) all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substitute Company of liability as principal obligor in respect of, and of its obligations under, the Instruments have been obtained and (ii) such approvals and consents are at the time of substitution in full force and effect;

(e) the current Issuer and the Substitute Company shall execute such other deeds, documents and instruments (if any) as the Trustee may require in order that such substitution be fully effective and comply with such other requirements in the interests of the Noteholders as the Trustee may direct; and

(a) such substitution would not, in the opinion of the Trustee, be materially prejudicial to the Instrumentholders.

Prospective investors should note that in the case of such substitution the Issuer will be released from any and all of its obligations in respect of the Notes and any relevant agreements and that Noteholders will only be able to claim any amounts payable under the Notes from the Substitute Company.

In the case of a substitution of the Issuer in accordance with this Condition 18.4, a notice will, in (and for so long as the rules and regulations of the Luxembourg Stock Exchange or, as the case may be, such other relevant stock exchange so require), be published on the Luxembourg Stock Exchange website or, as the case may be, such other stock exchange. In addition, in the case of a substitution of the Issuer in accordance with this Condition 12.4, for so long as any securities of the Issuer are listed on the Official List of the Luxembourg Stock Exchange so require, the Issuer will prepare any supplement to this Offering Circular in respect of such substitution which will be submitted to the CSSF for its approval.

By subscribing to, or otherwise acquiring, the Notes, the Noteholders expressly consent to the substitution of the Issuer and to the release of the Issuer from any and all obligations in respect of the Notes and any relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.

12.5 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the holders of the Notes as a Series and shall not have regard to the consequences of such exercise for individual Noteholders whatever their number and, in particular but without limitation, shall not have regard to the consequence of any such exercise for individual Noteholders resulting from their being domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual holders of such Notes.

13. Replacement of Notes

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws at the specified office of the Principal Agent in London or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 15 (*Notices and Provision of Information*), in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders, create and issue further notes so as to be consolidated and form a single series with the existing Notes subject to Condition 8 (*Restrictions*) and subject to the Trustee being satisfied that the value of the Series Assets relating to the Notes is correspondingly increased .

Any such notes shall be constituted in accordance with the Series Instrument.

15. Notices and Provision of Information

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*), or (b) if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market, and it is a requirement of applicable law or regulations, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), or on the Luxembourg Stock Exchange's website (www.bourse.lu.), or (c) in either case, on the website www.it.investmentprodukte.db.com or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper or website, on the date of the first publication. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relevant Note, with the Principal Agent.

16. Agents

The Agents act solely as agents of the Issuer and do not assume any obligation or duty to, or any relationship of agency or trust for or with, any Noteholder. Subject as provided in Condition 6.5 (*Application of Proceeds of Series Assets*) relating to the Custodian the Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any of the Agents and to appoint additional or other Paying Agents, provided that the Issuer will at all times maintain (i) a Principal Agent, (ii) a Calculation Agent, (iii) a Paying Agent qualifying as a credit institution or financial institution under Directive 2006/48/EC and capable of ensuring that the financial service of the Notes is made in Luxembourg (for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require), (iv) a Custodian being a credit institution established or having its registered office in Luxembourg and approved by the CSSF in its capacity as supervisory authority of regulated securitisation undertakings and (v) a Selling Agent (subject to Condition 6.6.1 (*Realisation of Series Assets by Selling Agent*)). Notice of any such change or any change of any specified office of any Paying

Agent will promptly be given to the Noteholders in accordance with Condition 15 (*Notices and Provision of Information*).

The Calculation Agent may, without the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

17. Indemnification and Obligations of the Trustee; Replacement of the Trustee

The Series Instrument contains provisions for the indemnification of the Trustee and for its relief from responsibility including for the exercise of any voting rights in respect of the Collateral or for the value, validity and sufficiency of the Series Assets and enforceability (which the Trustee has not investigated) of the security created over the Series Assets. The Trustee is not obliged to take any action under the Series Instrument unless directed or requested as provided in these Conditions and indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee and any affiliate is entitled to enter into business transactions with the Issuer, any issuer or guarantor (where applicable) of any of the Collateral, the Hedging Counterparty, or any of their subsidiary, holding or associated companies without accounting to the Noteholders for profit resulting therefrom.

The Trustee is exempted from liability with respect to any loss or theft or reduction in value of the Collateral, from any obligation to insure or to procure the insuring of the Collateral (or any documents evidencing, constituting or representing the same or transferring any rights or obligations thereunder) and from any claim arising from the fact that the Collateral is held in an account with Euroclear, Clearstream, Luxembourg or any other clearance system in accordance with that system's rules or otherwise held in safe custody by the Custodian or any custodian selected by the Trustee (in each case, if applicable). The Trustee is not responsible for supervising the performance by any other person of their obligations to the Issuer.

The Series Instrument provides that the Trustee will be under no obligation or duty to act on any directions of the Noteholders or the Hedging Counterparty (save in each case as expressly provided in the Series Instrument) and (save as aforesaid) in the event of any conflict between directions given by the Noteholders and the Hedging Counterparty (in any case where it is expressly provided in the Series Instrument that the Noteholders and the Hedging Counterparty are entitled to give directions to the Trustee) it shall be entitled to act in accordance only with the directions of the Noteholders (but without prejudice to the provisions concerning the enforcement of security under Condition 6.6 (*Realisation of the Series Assets*) and Condition 11 (*Enforcement*) and the Series Instrument and to the provisions concerning the application of moneys received by the Trustee upon such enforcement under Condition 6.4 (*General Provisions Relating to Security*) and the Series Instrument) subject in each case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction.

The Series Instrument provides that the Issuer may replace the Trustee subject to the prior approval by Extraordinary Resolution of the Noteholders and the consent of each Hedging Counterparty.

The Issuer hereby expressly accepts and confirms, for the purposes of articles 1278 of the Luxembourg civil code, that notwithstanding any assignment, transfer and/or novation permitted under, and made in accordance with the provisions of the Series Instrument, any security created under the Series Instrument shall be preserved for the benefit of the new trustee (for itself and the secured parties) and, for the avoidance of doubt, for the benefit of each of the secured parties.

18. Governing Law and Jurisdiction

18.1 Governing Law

The Series Instrument and the Notes (and any non-contractual obligations arising out of or in connection with the Series Instrument and the Notes) are governed by, and shall be construed in

accordance with, English law. For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg Company Law are excluded.

18.2 Jurisdiction

The courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including any disputes relating to any non-contractual obligations arising out of or in connection with the Series Instrument and/or the Notes) and accordingly any legal action or proceedings arising out of or in conjunction with the Notes may be brought in such courts. The Issuer has in the Series Instrument irrevocably submitted to the jurisdiction of such courts.

18.3 Agent for Service of Process

The Issuer has irrevocably appointed Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2DB as its Agent for Service of Process, at its registered office for the time being, as its agent to receive, for it and on its behalf, service of process in any proceedings in England.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Right of Third Parties) Act 1999.

4. DESCRIPTION OF THE ISSUER

General

Palladium Securities 1 S.A. (the **Company**) is a special purpose vehicle incorporated as a *société anonyme* (public limited liability company) under the laws of the Grand Duchy of Luxembourg for the purpose of issuing asset backed securities on 8 September 2004 and its activities as regulated securitisation undertaking are subject to the Securitisation Act 2004. A copy of the incorporation deed containing the Articles has been published in the *Mémorial C, Recueil des sociétés et associations* on 22 November 2004 and the Issuer is registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés, Luxembourg*) under number B.103.036. The Articles were amended on 23 April 2009. Copies of the amended and restated Articles have been published in the *Mémorial C. Recueil des sociétés et associations* number 1012 on 15 May 2009.

The registered office of the Company is at 2, boulevard Konrad Adenauer, L-1115 Luxembourg and its telephone number is +352 4 21 22 - 1.

In accordance with the Securitisation Act 2004, the Company entrusts the custody of its liquid assets and securities with Deutsche Bank Luxembourg S.A., a credit institution established in Luxembourg.

Share Capital and Shareholders

The authorised share capital of the Company is €227,272.50 divided into 181,818 Ordinary Shares (as defined in the Articles) of €1.25 each.

The Company has issued 181,818 Ordinary Shares, all of which are fully paid and are held by the following persons:

Ordinary Shareholders	No. of Ordinary Shares owned
The Freesia Charitable Trust Anson House, Havilland Street, St Peter Port, Guernsey, Channel Islands GY1 3GF	181,816
Ansons Fund Managers Limited Anson House, Havilland Street, St Peter Port, Guernsey, Channel Islands GY1 3GF	2

Each of the issued Ordinary Shares is held on trust by the holders thereof (each holder a **Share Trustee** and, together, the **Share Trustees**) under the terms of a declaration of trust (each a **Declaration of Trust** and, together, the **Declarations of Trust**) dated 3 September 2004, under which the relevant Share Trustee holds its Ordinary Shares on trust for charity. The Share Trustees have no beneficial interest in and derive no benefit (other than any expenses for acting as Share Trustee) from their holding of the issued shares. The Share Trustees will apply any income derived by them from the Issuer solely for charitable purposes. Other than the holders of the Ordinary Shares set out above, there are no other direct or indirect shareholders of the Company who can exercise control over the Company.

Business

So long as any of the Notes remain outstanding, the Company acting in respect of Compartment 64-2011-06 (the **Issuer**) will be subject to the restrictions set out in the Terms and Conditions of the Notes and the Articles.

The estimated amount of the preliminary expenses of the Company in its capacity as Issuer in respect of the Notes are EUR 100,000 and are payable by the Arranger.

The corporate objects of the Company set out in the Articles are to enter into, perform and serve as a vehicle for, any securitisation transactions as permitted under the Securitisation Act 2004.

The Company may acquire or assume, directly or through another entity or vehicle, the risks relating to the holding or ownership of claims, structured deposits, receivables and/or other goods, structured products relating to commodities or assets (including securities of any kind), either movable or immovable, tangible or intangible, and/or risks relating to liabilities or commitments of third parties or which are inherent to all or part of the activities undertaken by third parties, by issuing securities (*valeurs mobilières*) of any kind whose value or return is linked to these risks. The Company may assume or acquire these risks by acquiring, by any means, claims, deposits, receivables and/or other goods, structured products relating to commodities or assets, by guaranteeing the liabilities or commitments of third parties or by binding itself in any other way. The method that will be used to determine the value of the securitised assets will be set out in the relevant issue documentation proposed by the Issuer.

The Company may, within the limits of the Securitisation Act 2004, proceed, so far as they relate to securitisation transactions, to (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings and exchangeable or convertible securities) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above) in accordance with the provisions of the relevant issue documentation.

The Company may, within the limits of the Securitisation Act 2004 and for as long as it is necessary to facilitate the performance of its corporate objects, borrow in any form and enter into any type of loan agreement. It may issue notes, Bonds (including exchangeable or convertible securities and securities linked to an index or a basket of indices or shares), debentures, Certificates, shares, Beneficiary Shares, Warrants and any kind of debt or equity securities, including under one or more issue programmes. The Issuer may lend funds including the proceeds of any borrowings and/or issues of securities, within the limits of the Securitisation Act 2004 and provided such lending or such borrowing relates to securitisation transactions, to its subsidiaries or affiliated companies or to any other company.

The Company may, within the limits of the Securitisation Act 2004, give guarantees and grant security over its assets in order to secure the obligations it has assumed for the securitisation of those assets or for the benefit of investors (including their Trustee or representative, if any) and/or any issuing entity participating in a securitisation transaction of the Issuer. The Issuer may not pledge, transfer, encumber or otherwise create security over some or all of its assets or transfer its assets for guarantee purposes, unless permitted by the Securitisation Act 2004.

The Company may enter into, execute and deliver and perform any swaps, futures, forwards, derivatives, options, repurchase, stock lending and similar transactions for as long as such agreements and transactions are necessary to facilitate the performance of the Company's corporate objects. The Company may generally employ any techniques and instruments relating to investments for the purpose of their efficient management, including, but not limited to, techniques and instruments designed to protect it against credit, currency exchange, interest rate risks and other risks.

The Board is entitled to create one or more Compartments (representing the assets of the Company relating to an issue by the Company of securities), in each case, corresponding to a separate part of the Company’s estate.

The descriptions above are to be understood in their broadest sense and their enumeration is not limiting. The corporate objects of the Company shall include any transaction or agreement which is entered into by the Company, provided it is not inconsistent with the foregoing enumerated objects.

In general, the Company may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate objects to the largest extent permitted under the Securitisation Act 2004. The Company has, and will have, no assets other than the sum of €249,999.75 representing the issued and paid-up share capital and share premium, such expenses (as agreed) per issue payable to it in connection with the issue of Instruments or the purchase, sale or incurring of other obligations and any Series Assets. Save in respect of the expenses generated in connection with each issue of Instruments, any related profits and the proceeds of any deposits and investments made from such expenses or from amounts representing the Company's issued and paid-up share capital and share premium, the Company will not accumulate any surpluses.

The Notes are obligations of the Issuer alone and not of, or guaranteed in any way by, the Share Trustees or the Trustee. Furthermore, they are not obligations of, or guaranteed in any way by, the Arranger, the Purchaser or any Agent.

Administration, Management and Supervisory Bodies

The Directors of the Company are as follows:

Director	*principal outside activities*
Rolf Caspers	Employee of Deutsche Bank Luxembourg S.A.
Fabien Rossignol	Managing Director of Lealex Consult S.à r.l. (Luxembourg)
Stéphane Weyders	Managing Director of TASL PSF SA

Rolf Caspers has been appointed by the directors of the Company as chairman of the board of directors of the Issuer.

The business address of Rolf Caspers is 2, boulevard Konrad Adenauer, L-1115 Luxembourg, the business address of each of Fabien Rossignol and Stéphane Weyders is 22, rue Goethe, L-1637 Luxembourg. The principal outside activities of Rolf Caspers as an employee of Deutsche Bank may be significant with respect to the Company to the extent that Deutsche Bank Luxembourg S.A. is the Custodian, Servicer and Domiciliation Agent (as defined below) of, and may be an affiliate of any other party participating in, the issuance of a Series of Instruments. To the extent that a conflict between Deutsche Bank Luxembourg S.A. and the Issuer exists, there may be a conflict of interest between the private interests of Rolf Caspers as a director of the Company and chairman of the Board and those of the Issuer.

Deutsche Bank Luxembourg S.A. acts as the domiciliation agent of the Company Issuer (the **Domiciliation Agent**). The office of the Domiciliation Agent will serve as the registered office of the Company which is located at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg. Pursuant to the terms of the Domiciliation Agreement dated 9 September 2004 and entered into between the Domiciliation Agent and the Company, the Domiciliation Agent will perform in Luxembourg certain administrative, accounting and related services. In consideration of the foregoing, the Domiciliation Agent will receive various expenses payable by the Company at rates agreed upon from time to time. The appointment of the Domiciliation Agent may be terminated by either the Company or the Domiciliation Agent upon not less than 2 months' prior written notice. The Domiciliation Agent is an affiliate of the Arranger and Purchaser and may be an affiliate of any other party participating in the issuance of a Series of Instruments. To the extent that a conflict between such party and the Company exists, there may be a conflict of interest between the private interests of the Domiciliation Agent and those of the Company.

No mandatory corporate governance regime to which the Company would be subject exists in Luxembourg as at the date of this Prospectus.

Financial Statements

The financial year of the Company begins on 1 February of each year and ends on 31 January of the following year save that the first financial year started on the date of incorporation of the Issuer and ended on 31 January 2006. The Company filed with the Luxembourg trade and companies register on 2 May 2011 its last audited financial statements in respect of the period ending on 31 January 2011.

In accordance with Articles 72, 74 and 75 of the Luxembourg Company Law the Company is obliged to publish its annual accounts on an annual basis following approval of the annual accounts by the annual general meeting of its shareholders. Subject as provided below, the ordinary general meeting of shareholders takes place annually on the fourth Friday of April or the next following Business Day (as defined in the Articles) at 2pm at the registered office of the Issuer or at such other place as may be specified in the convening notice. The last ordinary general meeting of shareholders took place on 26 April 2011.

Any future published annual audited financial statements prepared for the Issuer will be obtainable free of charge from the specified office of the Paying Agents in London and the Grand Duchy of Luxembourg, as described in "General Information".

Approved Statutory Auditors

The approved statutory auditors (*réviseurs d'entreprises agréés*) of the Issuer, which have been appointed until the annual general meeting of shareholders to be held in 2012 by a resolution of the Board dated 2 July 2007 are Ernst & Young S.A., Luxembourg whose address is 7 Parc d'Activité Syrdall, L-5365 Munsbach, Luxembourg and who belong to the Luxembourg institute of auditors (*Instituts des réviseurs d'entreprises*).

Ernst & Young S.A. are entrusted with the auditing of the accounts of the Company. According to the Securitisation Act 2004, they shall inform the Board and also the CSSF of any irregularities and inaccuracies which they detect during the accomplishment of their duties.

CSSF supervision

The Company is supervised by the CSSF which ascertains that it complies with the law and its obligations. This supervision will continue until such time as the Company is liquidated.

According to the Securitisation Act 2004, the CSSF may request from the Company a periodical statement of its assets and liabilities and its operating results. The CSSF may furthermore require communication of any information or carry out on-site investigations and inspect all the documents of the Company and of the Domiciliation Agent which relate to the organisation, administration, management, or operation of the Company or to the valuation of and return on the assets, in order to verify compliance with the provisions of the Securitisation Act 2004 and the provisions set out in the Articles, and in agreements relating to the issuance of securities (including, for instance, the Notes), and the accuracy of the information it has been provided with.

If the CSSF finds that the Company is not complying with the provisions of the Securitisation Act 2004, the Articles or the agreements relating to the issuance of securities, or that the rights attached to the securities issued by the Company may be impaired, it may summon the Company to remedy the situation within a period it determines. If such summons is not complied with, the CSSF may (i) render public its position regarding the findings it has made, (ii) prohibit the issuance of securities, (iii) request the listing of the securities issued by the Company to be suspended, (iv) request the presiding judge of the chamber of the Luxembourg district court dealing with commercial matters to appoint a provisional administrator for the Company, or (v) withdraw its authorisation.

5. TAXATION

Country Specific Taxation

Potential purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of transactions involving the Notes.

LUXEMBOURG TAXATION

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

Taxation of the Issuer

A fixed registration duty (*droit fixe spécifique d'enregistrement*) of EUR75 is payable at the moment of the amendment of the Articles. The transfer or sale of securities of the Issuer will not be subject to Luxembourg registration or stamp duty.

The Issuer will be considered a fiscal resident of Luxembourg both for purposes of Luxembourg domestic tax law and for purposes of the tax treaties entered into by Luxembourg and should therefore be able to obtain a residence certificate from the Luxembourg tax authorities.

The Issuer will be liable for Luxembourg corporation taxes. The standard applicable rate in Luxembourg city, including corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and solidarity taxes, is 28.80 per cent. for the fiscal year ending 31st December, 2011. Liability for such corporation taxes extends to the Issuer's worldwide profits including capital gains, subject to the provisions of any relevant double taxation treaty. The taxable income of the Issuer is computed by application of all rules of the Luxembourg income tax law of 4th December, 1967, as amended (*loi concernant l'impôt sur le revenu*), as commented and currently applied by the Luxembourg tax authorities. Under certain conditions, dividends received by the Issuer from qualifying participations and capital gains realised by the Issuer on the sale of qualifying participations may be exempt from Luxembourg corporation taxes under the Luxembourg participation exemption. The Issuer may further deduct from its taxable profits interest payments made to holders of Notes. For tax purposes, payments made by the Issuer to holders of Notes are always treated as interest.

The Issuer will be exempt from wealth tax (*impôt sur la fortune*).

Taxation of the holders of Notes

Withholding tax

(i) Non-resident holders of Notes

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

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar

income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is levied at a rate of 35 per cent.. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes are currently subject to withholding tax of 35 per cent..

(ii) Resident holders of Notes

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

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is 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 under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Income Taxation

(i) Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received under the Notes. A gain realised by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(ii) Resident holders of Notes

A corporate holder of Notes must include any interest accrued or received, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes. The same inclusion applies to an individual holder of Notes, acting in the course of the management of a professional or business undertaking.

A holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, or by the law of 20 December 2002 or 17 December 2010 on undertakings for collective investment, as amended[1], or by the law of 13 February 2007 on specialised investment funds, is neither subject to

[1] as from 1 July 2011 the reference shall be read as a reference to the law of 17 December 2010 only

Luxembourg income tax in respect of interest accrued or received, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Law, or (ii) the individual holder of the Notes has opted for the application of a 10 per cent. tax in full discharge of income tax in accordance with the Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the Council Directive 2003/48/EC of 3 June 2003. A gain realised by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

Wealth tax

A corporate Noteholder, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the Noteholder is governed by law of 11 May 2007 on family estate companies by the laws of 20 December 2002 or 17 December 2010 on undertakings for collective investment, as amended[2], by the law of 13 February 2007 on specialised investment funds, or is a securitisation company governed by the law of 22 March 2004 on securitisation, or a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended.

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on Notes.

Other Taxes

Under present Luxembourg tax law, in the case where a Noteholder is a resident for tax purposes of Luxembourg at the time of his death, the Notes are included in his taxable estate, for inheritance tax purposes and gift tax may be due on a gift or donation of Notes, if the gift is recorded in a Luxembourg deed.

ITALIAN TAXATION

Tax treatment of Notes

The Italian tax regime applying to payments of interest in respect of the Notes is governed by legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree No. 239**) on the basis that the Notes qualify as asset-backed securities for the purposes of Italian law No. 130 of 30 April 1999, as amended from time to time (*Disposizioni sulla cartolarizzazione dei crediti*). Decree No. 239 provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, amongst others, by non-Italian resident issuers.

Where Notes have an original maturity of at least 18 months and an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the "*risparmio gestito*" regime – see **Capital Gains Tax** below), (ii) a non commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "imposta sostitutiva", levied at the rate of

12.50 per cent. In the event that Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the imposta sostitutiva applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which Notes are effectively connected and such Notes are deposited with an authorised intermediary, interest, premium and other income from such Notes will not be subject to imposta sostitutiva, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP - the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest in respect of Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the **Financial Services Act**), and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to substitute tax nor to any other income tax in the hands of the fund. Law Decree No. 70 of 13 May 2011 has introduced a 7 per cent. *imposta sostitutiva* to be calculated on the fund's net assets value as *per* 31 December 2010 and on the income accrued thereafter. Such tax will be due only by real estate investment funds existing at 31 December 2010: (i) which are not entirely participated by one or more of the entities indicated under article 32, paragraph 3, of Law Decree No. 78, of 31 May 2010 (ii) having at least one of the participants different from those indicated under (i) holding more than 5 per cent of the fund's units and (iii) if the fund's management company passes a resolution of winding up of the same fund by 31 December 2011.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the **Fund**) or a SICAV, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on Notes will not be subject to imposta sostitutiva, but must be included in the management results of the Fund accrued at the end of each tax period, subject to an ad hoc substitute tax applicable at a 12.50 per cent. rate. As of 1 July 2011, the latter substitute tax will be repealed and substituted by a substitute tax of 12.5 per cent. levied on proceeds distributed by the Fund or the SICAV or received by certain categories of unit holders upon redemption or disposal of the units.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and Notes are deposited with an authorised intermediary, interest, premium and other income relating to such Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11.00 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which such Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Early Redemption

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary which intervenes in

the payment of interest or the redemption amount of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

Non-Italian Resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, if the Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

Capital Gains Tax

Any gain obtained from the sale or redemption of Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the relevant Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the relevant Notes are connected.

Where an Italian resident Noteholder is an individual not holding Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.50 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the

computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.50 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Law Decree No. 351 as subsequently amended apply will be subject neither to imposta sostitutiva nor to any other income tax at the level of the real estate investment fund. Law Decree No. 70 of 13 May 2011 has introduced a 7 per cent. imposta sostitutiva to be calculated on the fund's net assets value as per 31 December 2010 and on the income accrued thereafter. Such tax will be due only by real estate investment funds existing at 31 December 2010: (i) which are not entirely participated by one or more of the entities indicated under article 32, paragraph 3, of Law Decree No. 78, of 31 May 2010 (ii) having at least one of the participants different from those indicated under (i) holding more than 5 per cent of the fund's units and (iii) if the fund's management company passes a resolution of winding up of the same fund by 31 December 2011.

Any capital gains realised by a Noteholder which is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.50 per cent. substitute tax. As of 1 July 2011, the latter substitute tax will be repealed and substituted by a substitute tax of 12.5 per cent. levied on proceeds distributed by the Fund or the SICAV or received by certain categories of unit holders upon redemption or disposal of the units.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes (i) are traded on regulated markets, or (ii) if not traded on regulated markets, are held outside Italy.

Inheritance and gift taxes

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

(a) 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 EUR1,000,000;

(b) 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 applied 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 EUR 100,000; and

(c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer Tax

Article 37 of Law Decree No 248 of 31 December 2007, (Decree No. 248) converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of EUR168; (ii) private deeds are subject to registration tax only in case of use, voluntary registration or in the so-called *enunciazione*.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April, 2005 (the 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 not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

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).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

6. SALES AND TRANSFER RESTRICTIONS AND SUBSCRIPTION

6.1 Sales and Transfer Restrictions

General

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions.

United States of America

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and trading in the Notes has not been approved by the United States Commodity Futures Trading Commission (the **CFTC**) under the United States Commodity Exchange Act (the **Commodity Exchange Act**). Any offer or sale of the Notes must be made in a transaction exempt from the registration requirements of the Securities Act pursuant to Regulation S thereunder. No Notes, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. No Notes may redeemed by or on behalf of a U.S. person or a person within the United States. As used herein, **United States** means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and **U.S. person** means a U.S. person as defined in Regulation S under the Securities Act and a person who does not come within the definition of a non-United States person under Rule 4.7 of the Commodity Exchange Act.

United Kingdom

The Purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Grand-Duchy of Luxembourg

In addition to the cases described in the European Economic Area selling restrictions in which the Issuer can make an offer of Notes to the public in an EEA Member State (including the Grand Duchy of Luxembourg), the Issuer may also make an offer of Notes in the Grand Duchy of 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, and including, credit institutions, investment firms, other authorised or regulated

financial institutions, insurance undertakings, undertakings for collective investment and their management companies, pension and investment funds and their management companies, stock or raw material 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 Directive 2003/71/EC (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 CSSF as competent authority in Luxembourg in accordance with the Prospectus Directive.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) the Purchaser has represented and agreed that the Notes which are the subject of the offering contemplated by this Prospectus have not been offered and will not be offered to the public in that Relevant Member State other than in respect of the offers contemplated in this Prospectus in the Republic of Italy from the time the Prospectus has been approved by the competent authority in Luxembourg and published and notified to the relevant competent authority in accordance with the Prospectus Directive as implemented in the Republic of Italy until the end of the Offer Period specified in this Prospectus, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive

provided that no such offer of Notes referred to in (a) to (d) above shall constitute a requirement to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **offer of Notes to the public** means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, insofar as a measure implementing the Prospectus Directive in that Member State leads to a deviation, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of 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 Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

General

Save as described in the section "Public Offer" below, no action has been taken by the Issuer or Deutsche Bank AG, London Bank that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, Deutsche Bank AG, London Bank has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

Subscription

The Issuer will, by executing the Series Instrument, enter into a purchase agreement (the **Purchase Agreement**) with Deutsche Bank AG, London Branch in its capacity as purchaser (the **Purchaser**) in respect of the Notes, pursuant to which the Purchaser will agree, among other things, to purchase the Notes.

The Notes issued will be purchased by the Purchaser at the relevant Issue Price. Such Notes will then be sold by the Purchaser at such times and at such prices as the Purchaser may select provided that where the Notes are listed on any stock exchange this shall be subject to applicable rules and regulations of any such stock exchange. The Notes 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, in each case at the discretion of the Purchaser. Neither the Issuer nor the Purchaser shall be obliged to sell all or any of the Notes issued.

THE PURCHASER WILL IN THE PURCHASE AGREEMENT AGREE THAT IT WILL, TO THE BEST OF ITS KNOWLEDGE, COMPLY WITH ALL RELEVANT LAWS, REGULATIONS AND DIRECTIVES IN EACH JURISDICTION IN WHICH IT PURCHASES, OFFERS, SELLS OR DELIVERS THE NOTES OR HAS IN ITS POSSESSION OR DISTRIBUTES THIS OFFERING CIRCULAR OR ANY PART THEREOF OR ANY OTHER OFFERING MATERIAL IN ALL CASES AT ITS OWN EXPENSE UNLESS OTHERWISE AGREED AND THE ISSUER SHALL HAVE NO RESPONSIBILITY THEREFOR.

Public Offer

Upon submission of this Offering Circular to the CSSF for approval, the Issuer intends to request that the CSSF provides to the competent authority in the Republic of Italy (the **Public Offer Jurisdiction**) a certificate of approval attesting that the Offering Circular has been drawn up in accordance with the Prospectus Directive. Upon provision of such certificate, an offer of the Notes may be made by Deutsche Bank S.p.A. of Piazza del Calendario 3, 20126, Milan, Italy and Finanza & Futuro Banca S.p.A. of Piazza del Calendario 1, 20126, Milan, Italy (each a **Distributor** and together with any other entities appointed as a distributor in respect of the Notes during the Offer Period, the **Distributors**) other than pursuant to Article 3(2) of the Prospectus Directive in the Public Offer Jurisdiction during the period set out in paragraph (a) below. The Notes may only be offered or sold in any jurisdictions (including, without limitation, the Public Offer Jurisdiction), in accordance with the requirements of the relevant securities laws and regulations applicable in such jurisdiction. In particular the Notes may be offered in the Public Offer Jurisdiction only in accordance with applicable laws and regulations including the Legislative Decree of February 24, 1998, n. 58, as subsequently amended, (the **Financial Services Act**), its implementing CONSOB Regulation May 14, 1999, n. 11971, as amended (the **Regulation**), including Articles 9 and 11 of the Regulation, as well as Articles 14, 17 and 18 of the Prospectus Directive and in accordance with this Offering Circular.

(a) Offer Period:

From 17 August 2011 to 28 September 2011 during the hours in which banks are generally open for business in the Republic of Italy. The Issuer reserves the right for any reason to close the Offer Period early. Notice of the early closure of the Offer Period will be made to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu), on the website www.it.investmentprodukte.db.com and in accordance with the relevant Distributor's usual procedures. The Issuer reserves the right to appoint other distributors during the Offer Period, which will be communicated to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website www.it.investmentprodukte.db.com.

(b) Offer Price:

The Notes will be offered at the Issue Price (of which up to 4.50 per cent. is represented by a commission payable to the Distributors).

(c) Conditions to which the offer is subject:

The offer of the Notes is conditional on their issue. The Issuer reserves the right to withdraw the offer and/or cancel the issuance of the Notes for any reason at any time on or prior to the Issue Date. For the avoidance of doubt, if any application has been made by a potential investor and the Issuer exercises such a right, each such potential investor shall not be entitled to subscribe or otherwise purchase any Notes. Notice of such withdrawal or cancellation of the issuance of the Notes will be made to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu), on the website www.it.investmentprodukte.db.com and in accordance with the relevant Distributor's usual procedures.

(d) The time period, including any possible amendments, during which the offer will be open and description of the application process:

The offer will be open during the Offer Period. Applications for the Notes can be made in the Republic of Italy at participating branches of a Distributor. Applications will be in accordance with the relevant Distributor's usual procedures, notified to investors by the relevant Distributor. Amendments to the offer during the Offer Period will be notified to investors by means of a notice published on the website of the Luxembourg Stock Exchange (www.bourse.lu), on the website www.it.investmentprodukte.db.com and in accordance with the relevant Distributor's usual procedures. Prospective investors will not be required to enter into any contractual arrangements directly with the Issuer relating to the subscription for the Notes.

(e) Details of the minimum and/or maximum amount of application:

The minimum allocation per investor will be equal to EUR 1,000 in principal amount of the Notes. The maximum allocation of Notes will be subject only to availability at the time of the application.

There are no pre-identified allotment criteria. The Distributors will adopt allotment criteria that ensures equal treatment of prospective investors. All of the Notes requested through the Distributors during the Offer Period will be assigned up to the maximum amount of the offer.

(f) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

Not Applicable.

(g) Details of the method and time limits for paying up and delivering the Notes:

The Notes will be issued on the Issue Date against payment to the Issuer through the Distributors of the net subscription moneys. Each investor will be notified by the relevant Distributor of the settlement arrangements in respect of the Notes at the time of such investor's application.

(h) Manner and date in which results of the offer are to be made public:

The Issuer will in its sole discretion determine the final amount of Notes to be issued (which will be dependent on the outcome of the offer), up to a limit of EUR 100,000,000. The precise Aggregate Nominal Amount of Notes to be issued will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) in accordance with article 10 of the Luxembourg law of 10 July 2005 on prospectus (the **Prospectus Act 2005**) and on the website www.it.investmentprodukte.db.com on or around the Issue Date. Notice of the precise Aggregate Nominal Amount of Notes to be issued will also be given to the CSSF.

(i) Categories of potential investors to which the Notes are offered:

Offers may be made through each Distributor in the Republic of Italy to any person. Qualified Investors (*investitori qualificati*, as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998) may be assigned only those Notes remaining after the allocation of all the Notes requested by the public in Italy during the Offer Period. Offers (if any) in other EEA countries will only be made by Deutsche Bank AG, London Bank or a Distributor pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a Offering Circular. For the avoidance of doubt, Deutsche Bank AG, London Bank will not place any Notes to the public in the Republic of Italy.

Any investor not located in the Republic of Italy should contact its financial adviser for more information, and may only purchase the Notes, remaining after the allocation of all the Notes requested by the public in the Republic of Italy during the Offer Period, from its financial adviser, bank or financial intermediary.

(j) Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:

Each investor will be notified by the relevant Distributor of its allocation of Notes after the end of the Offer Period and before the Issue Date. No dealings in the Notes may take place prior to the Issue Date.

(k) Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

The Issuer is not aware of any expenses and taxes specifically charged to the subscriber or purchaser.

For details of the Offer Price, which includes the commissions payable to the Distributors, see the section above entitled "Offer Price".

Taxes charged in connection with the subscription, transfer, purchase or holding of Notes must be paid by the relevant investor and the Issuer shall not have any obligation in relation thereto. Investors should consult their professional tax advisers to determine the tax regime applicable to their particular situation.

For details of the tax regime applicable to subscribers in the Republic of Italy, see "Taxation – Republic of Italy" in this Offering Circular.

(l) Name(s) and address(es) of the placers in the various countries where the offer takes place:

The address of Deutsche Bank S.p.A. as Distributor is Piazza del Calendario 3, 20126 Milan, Italy and the address of Finanza & Futuro Banca S.p.A. as Distributor is Piazza del Calendario 1, 20126 Milan, Italy.

(m) Listing and admission to trading

Application has been made to the Luxembourg Stock Exchange for the Notes 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 Issuer reserves the right to apply for the Notes to be admitted to trading on the multilateral trading facility EuroTLX (managed by EuroTLX SIM S.p.A.).

The Issuer is not a sponsor of, nor is responsible for, the admission and trading of the Notes on the EuroTLX and no assurance can be given that any such application will be successful.

7. DESCRIPTION OF ISSUE STRUCTURE, CASH FLOWS AND AGENTS OF THE ISSUER

7.1 General description of the structure

The Issuer will use the proceeds from the issue of the Notes to purchase the Collateral which will form part of the Series Assets. The Series Assets are exclusively allocated to Compartment 64-2011-06 established by the Board in respect of the Notes and will be kept separate from the other assets of the Issuer.

The Series Assets underlying the Notes, as specified in Condition 6.1 (*Series Assets*), essentially consist of bonds bearing interest at a fixed rate (referred to as the **Collateral**), an interest rate swap transaction (referred to as the **Hedging Agreement**) and rights of the Issuer under the Agency Agreement and the Purchase Agreement.

The issuer of the Collateral is Banco Popolare – Società Cooperativa (the **Collateral Issuer**).

The counterparty of the Issuer under the Hedging Agreement is Deutsche Bank AG, acting through its London Branch (the **Hedging Counterparty**).

The Issuer will purchase Collateral in an amount sufficient to ensure that, unless an Early Redemption Event has occurred, it is in a position to meet its obligation under the Notes to repay the Nominal Amount on the Maturity Date. This will be achieved by the Issuer purchasing, on the Issue Date and under the Hedging Agreement, Collateral with an aggregate principal amount corresponding to the Aggregate Nominal Amount of Notes as of the Issue Date. The Collateral and the Collateral Issuer are described in greater detail in the section entitled "*Description of the Collateral and the Collateral Issuer*" below.

The Issuer will further enter into the Hedging Agreement in respect of this issue of Notes with the Hedging Counterparty, on or prior to the Issue Date. Under the Hedging Agreement the Hedging Counterparty undertakes to make periodic payments to the Issuer equalling the interest and principal payments payable by the Issuer in respect of the Notes. In return, the Issuer undertakes to make payments to the Hedging Counterparty equalling the interest and principal payments (in each case, howsoever described) received under the Collateral. This is to ensure that the Issuer is in a position to meet its interest payment obligations under the Notes. The Hedging Agreement and the Hedging Counterparty are described in greater detail in the section entitled "*Description of the Hedging Agreement and Hedging Counterparty*" below.

On or before the Maturity Date of the Notes, the Collateral is scheduled to be redeemed by the Collateral Issuer and the Hedging Agreement will terminate on the Maturity Date of the Notes. Provided that no Early Redemption Event has occurred, the Issuer intends to use the proceeds from redemption of the Collateral to make scheduled payments under the Hedging Agreement, and the Issuer will use the corresponding principal amounts due from the Hedging Counterparty under the Hedging Agreement to pay the Redemption Amount, and any outstanding Interest Amount, to the Noteholders.

In the event of an early termination of the Notes in accordance with the Terms and Conditions of the Notes, the Issuer or the Selling Agent will be required to sell or otherwise realise the Collateral and terminate the Hedging Agreement. In such a case, the Issuer will pay to the Noteholders, subject to the priority of payments specified in Condition 6.5 (*Application of Proceeds of Series Assets*), the Early Termination Amount in respect of each of the Notes. The Early Termination Amount payable to the Noteholders will be their pro rata share of the proceeds of realisation of the Series Assets minus all prior ranking payments and any commissions or expenses due to the Selling Agent in connection with the realisation of the Series Assets. The Early Termination Amount may be lower than the Nominal Amount of the Notes and may be zero.

7.2 Confirmation concerning the assets

The Issuer confirms that the Series Assets pertaining to the Notes have features which are intended to ensure that sufficient funds will be generated by the Series Assets to be used to make the payments that have become due under the Notes.

However, if the Collateral Issuer or the Hedging Counterparty fail to meet their obligations under the Collateral or the Hedging Agreement, as applicable, the Issuer will not be able to meet its scheduled payment obligations under the Notes to the same extent.

7.3 Description of the security structure

The Issuer will enter on the Issue Date with Deutsche Trustee Company Limited as Trustee into a Series Instrument under English law pursuant to which the Notes will be constituted and secured. In accordance with such Series Instrument the Trustee is granted security for itself and as trustee over, amongst other things, the Collateral and the rights of the Issuer under the Hedging Agreement as continuing security for, amongst other things, the payment of all sums due under the Notes.

Under the Series Instrument, the Trustee undertakes to hold on trust the security granted to it for, amongst other things, the benefit of the Noteholders and has the right to enforce the security upon the occurrence of an Event of Default, e.g. in the event of a non-payment of an interest or any other amount due under the Notes within fourteen days from the relevant due date.

The Trustee is obliged to pay to the Series Parties (as defined in the Terms and Conditions of the Notes) the proceeds from the realisation or enforcement of the Series Assets with the priority set out below:

(a) *first*, in payment or satisfaction of all fees, costs, charges, expenses, liabilities and other amounts incurred by or payable to the Trustee or any receiver under or pursuant to the Series Instrument (which shall include any taxes required to be paid, the costs of realising any security and the Trustee's remuneration);

(b) *secondly*, pro rata in payment of any amounts owing to:

(i) the Hedging Counterparty under the Hedging Agreement (which shall include any amounts owing to the Custodian for reimbursement in respect of payments made to the Hedging Counterparty relating to sums receivable on or in respect of the Collateral) and all legal and other ancillary costs (including all costs (if any) in relation to the realisation of the Collateral) incurred by the Hedging Counterparty as a result of an Early Redemption Event); and

(ii) the Principal Agent for reimbursement in respect of any payment made to holders of the Notes or to a Clearing Agent on behalf of such holders;

(c) *thirdly*, pro rata in payment of any amounts owing to the holders of the Notes; and

(d) *fourthly*, in payment of the balance (if any) to the Issuer.

This means that the realisation proceeds, after deduction of the costs of realisation and fees and expenses incurred by the Trustee, any receivers, the Hedging Counterparty and certain claims of the Principal Agent, will be used to satisfy on a pro rata basis the claims of the Noteholders. In addition, the Selling Agent will be able to deduct any of its commissions or expenses in connection with the realisation of the Series Assets from the aforementioned realisation proceeds prior to the distribution of such proceeds to the other Series Parties.

According to Condition 17 and the Series Instrument the Trustee may be replaced by the Issuer subject to the prior approval by an Extraordinary Resolution of the Noteholders and the consent of the Hedging Counterparty.

7.4 Principal Agent, Calculation Agent, Selling Agent, Purchaser and Distributor

Deutsche Bank AG, acting through its London Branch, located at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, will act as Principal Agent, Calculation Agent, Selling Agent Purchaser and Distributor in respect of the Notes. On 12th January, 1973, Deutsche Bank AG filed in the United Kingdom the documents required pursuant to section 407 of the Companies Act 1948 to establish a place of business within Great Britain. On 14th January, 1993, Deutsche Bank AG registered under Schedule 21A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG, acting through its London Branch is an authorised person for the purposes of section 19 of the Financial Services and Markets Act 2000. In the United Kingdom, it conducts wholesale banking business and through its Private Wealth Management division, it provides holistic wealth management advice and integrated financial solutions for wealthy individuals, their families and selected institutions. Deutsche Bank AG, acting through its London Branch is a member of the Deutsche Bank Group (as defined in the section entitled "*Description of the Hedging Agreement and Hedging Counterparty*" below, where further information on the Deutsche Bank Group can be found).

7.5 Custodian, Servicer and Paying Agent

Deutsche Bank Luxembourg S.A. will act as Custodian, Servicer and Paying Agent in respect of the Notes. Deutsche Bank Luxembourg S.A. was founded in 1970 as the first foreign subsidiary of Deutsche Bank AG, Frankfurt since the second world war. The Bank's activities are based on three main pillars: Private Wealth Management, International Loans and Treasury & Global Markets. Deutsche Bank Luxembourg S.A. is a member of the Deutsche Bank Group (as defined in the section entitled "*Description of the Hedging Agreement and Hedging Counterparty*" below, where further information on the Deutsche Bank Group can be found).

8. DESCRIPTION OF THE COLLATERAL AND THE COLLATERAL ISSUER

8.1 General description

1.	**Nature of the Collateral:**	On the Issue Date, the Collateral will comprise up to EUR 100,000,000 principal amount which will be equivalent to the Aggregate Nominal Amount of the Notes issued of the EUR 1,250,000,000 Series 4 Fixed Rate *obbligazioni bancarie garantite* due March 2016 (ISIN: IT0004701568) issued by Banco Popolare - Società Cooperativa, governed by, and construed in accordance with, Italian law (the **BP Covered Bonds**). The BP Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of Banco Popolare – Società Cooperativa. In accordance with Italian Law No. 130 of 30 April 1999 (as amended, **Law 130**) holders of the BP Covered Bonds will benefit from the guarantee (the **Guarantee**) issued by BP Covered Bond S.r.l. (the **Guarantor**) which will, in turn, hold the Cover Pool (as defined below). The obligations of the Guarantor under the Guarantee constitutes direct, unconditional and unsubordinated obligations collateralised by

		the Cover Pool and recourse against the Guarantor is limited to such assets. The Guarantor will not have any other source of funds available to meet its obligations under the Guarantee. The receivables forming part of the relevant pool of assets (the **Cover Pool**) will consist of (A) some or all of the following assets: (1) Italian residential mortgage loans (*mutui ipotecari residenziali*) pursuant to Article 2, paragraph 1, lett. (a), of the Decree No. 310 (**Mortgage Loans**), (2) loans granted to, or guaranteed by, and securities issued by, or guaranteed by, the entities indicated in Article 2, paragraph 1, lett. (c) of the Decree No. 310 (**Public Assets**), and (3) securities issued in the framework of securitisations having as underlying assets Mortgage Loans or Public Assets, pursuant to Article 2, paragraph 1, lett. (d) of the Decree No. 310 (**ABS** and, together with the Mortgage Loans and the Public Assets, the **Eligible Assets**), and (B) within certain limits, securities issued by banks having their registered office in states belonging to the European Economic Area, Switzerland and any other state attracting a zero per cent. risk weight factor under the "Standardised Approach" provided for by the Basel II Accord (**Eligible States**) with residual a maturity not longer than one year and deposits (the **Eligible Deposits**) held with banks having their registered office in Eligible States pursuant to Article 2, paragraph 3, of the Decree No. 310.
2.	**Maturity or expiry date(s) of the Collateral**	The scheduled maturity date of the BP Covered Bonds will be 31 March 2016 although in certain circumstances the scheduled maturity date may be extended to 31 March 2017.
3.	**The amount of the Collateral**	On issue the aggregate principal amount of the BP Covered Bonds was EUR 1,250,000,000. When purchased by the Issuer pursuant to the Asset Swap Transaction to form part of the Series Assets for the Notes, the Collateral will have a principal amount of up to EUR 100,000,000 principal amount.
4.	**The loan to value ratio or collateralisation level**	The Collateral will have a principal amount of up to EUR 100,000,000 principal amount.
5.	**Method of creation of the Collateral**	The Collateral has been issued by the issuer of the Collateral in the normal course of its business.
6.	**Replacement and/or substitution of the Collateral**	Not applicable
7.	**Material relationships between the Issuer and any obligor**	Other than the payment of fees and normal payments in connection with the Notes, the Issuer has no material relationships with the Collateral Issuer.

8.	**Principal terms and conditions of the Collateral where they have not traded on a regulated or equivalent market**	Not applicable
9.	**Description of the Collateral, if the Collateral comprise equity securities that are admitted to trading on a regulated or equivalent market**	Not applicable
10.	**Description of Collateral if more than 10% comprises equity securities, which are not traded on a regulated market**	Not applicable
11.	**Details of Collateral, where the Collateral is actively managed**	Not applicable
12.	**Details of the Portfolio Manager**	Not applicable
13.	**Transfer of the Collateral**	It is anticipated that the Collateral will be acquired by the Issuer on or about the Issue Date from the Hedging Counterparty under the Asset Swap Transaction
14.	**Originators of the Collateral**	Banco Popolare – Società Cooperativa
15.	**Governing law of the Collateral**	The Collateral is governed by and construed in accordance with the laws of Italy.
16.	**Nature of market on which securities of the obligor traded**	Amongst others, Luxembourg Stock Exchange and the Italian Stock Exchange.

8.2 Description of Banco Popolare – Società Cooperativa

General Information

Banco Popolare Società Cooperativa (the "**Banco Popolare**") was incorporated on 1 July 2007 as a result of the merger between Banco Popolare di Verona e Novara società cooperativa a responsabilità limitata and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa, which came into effect on 1 July 2007. Banco Popolare, together with its subsidiaries, is referred to as the "Banco Popolare Group" or the "Group".

Banco Popolare Società Cooperativa is incorporated as a cooperative bank under enrolment number 03700430238 at the Register of Companies at the Chamber of Commerce of Verona and operates subject to Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**").

Banco Popolare has its registered office and head office in Verona, Piazza Nogara 2, 37121, Italy, with telephone number +39 045 867 5537. Central and administrative functions are equally distributed between Verona and Lodi. The administrative and institutional functions and the retail head office are based in Verona, while the corporate head office is based in Lodi.

The object of Banco Popolare is to collect saving funds and issue loans and credit, in its various forms, for the benefit of both its shareholders and non-shareholders, inspired by the principles of cooperative credit (*credito cooperativo*). Banco Popolare may undertake all banking, financial and insurance activities, transactions and services in compliance with applicable provisions of law and subject to having obtained the prior required authorisation, including the establishment and management of open or closed-end pension funds, and other activities permitted for credit institutions including bond issues, the extension of financing facilities governed by special laws, and the sale and purchase of receivables (factoring).

Banco Popolare may undertake any other transaction that is instrumental or in any case connected to the achievement of its corporate object. In order to achieve its objectives, Banco Popolare may join associations and consortia.

Banco Popolare, in its capacity as bank exercising management and coordination control over the Banking group Gruppo Bancario Banco Popolare, pursuant to Article 61, paragraph four, of the Italian Banking Act, issues directives to the companies of the Group, including for the purpose of implementing instructions issued by Supervisory Authorities and in the interest of Group stability.

Principal business activities of the Banco Popolare Group

The Banco Popolare Group benefits from a nation-wide distribution network, through which it can implement business development programmes that leverage the synergies that can be obtained from a large banking group, while promoting and valuing the deep-rooted ties with its territory through the strengthening of its historical brands. The Group is active also in Europe, with some subsidiaries and branches, and in Asia, with representative offices.

The Banco Popolare Group carries out the collection of saving and granting of various forms of credit both to its shareholders and non-shareholders with a particular focus on the geographical areas in which its controlled banks (the "**Banche del Territorio**") operate. The Banche del Territorio consists of Banca Popolare di Verona – SGSP, Banca Popolare di Lodi, Credito Bergamasco, Banca Popolare di Novara, Cassa di Risparmio di Lucca Pisa Livorno, Cassa di Risparmio di Pescara, Banca Popolare di Cremona and Banca Popolare di Crema.

The products offered by the Banche del Territorio are developed to suit the specific requirements of the various geographical areas each represents. The retail banks within Banche del Territorio each operate under their own brand in the local areas from which they originated, but they are all joined under the Group brand – the new logo of Banco Popolare. The Banche del Territorio also operate through other specific "local" brands: Banca Popolare di Verona – SGSP operates through the brands Banco S. Geminiano e S. Prospero in Emilia Romagna, Banco San Marco in Venice and Banca Popolare del Trentino in Trentino. Banca Popolare di Lodi is also revitalising certain brands that were originally present in some of its geographical franchises.

The Group's specialised bank branches complement the distribution structure: in particular, Banca Aletti's "private banking" branches are well-represented in the main provincial towns of the Group's franchise.

As at 30 June 2010, Banco Popolare has direct operations in 20 regions with 2,187 distribution structures. The Group's historical stronghold regions are of course characterised by a deeper entrenchment: Veneto, Lombardy, Piedmont, Tuscany, Emilia Romagna, Liguria, Abruzzo and a noteworthy presence in Sicily.

Foreign operations are organised through the subsidiaries Banco Popolare Luxembourg S.A., Banca Aletti & C. (Suisse) S.A., Banco Popolare Croatia d.d., Banco Popolare Ceskà Republika a.s., Banco Popolare Hungary Kft, Auto Trading Leasing in Romania and Banco Popolare London branch. The Group has a presence in Asia, with representative offices in India (Mumbai), China (Beijing, Shanghai and Hong Kong) and Russia (Moscow).

The Banco Popolare Group offers a wide range of banking and finance products and services to retail, corporate and private clients both through its branch network and through innovative distribution channels such as virtual banking.

Banco Popolare centralises certain functions of the Group, *inter alia*, Group coordination, administration and budgeting, planning and control, human resources management, risk management, internal auditing, investor relations, marketing, participations, Group finance, operations, purchase and logistic management.

The most important activities of the Banco Popolare Group are (i) Retail Banking Activity, (ii) Wealth Management, (iii) Direct Banking Products and Services, (iv) Corporate and (v) Private and Finance Activities.

8.3 Certain additional information in relation to the BP Covered Bonds

The following information in this section has been extracted from the BP Base Prospectus in order to provide an overview of certain aspects of Italian law in relation to the issuance of covered bonds governed by Italian law and is subject to and qualified entirely by the BP Base Prospectus.

Law 130 and Article 7-bis thereof. General remarks

Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

Law Decree of 14 March 2005, No. 35, converted into law by law 14 May 2005, No. 80, added Articles *1-bis* and *7-ter* to Law 130, in view of allowing Italian banks to use the securitisation techniques introduced by Law 130 in view of issuing covered bonds (*obbligazioni bancarie garantite*).

Pursuant to Article *7-bis,* certain provisions of Law 130 apply to transactions involving the true sale (by way of non-gratuitous assignment) of receivables meeting certain eligibility criteria set out in Article *7-bis* and in the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the **MEF Decree**), where the sale is to a special purpose vehicle created in accordance with Article *7-bis* and all amounts paid by the debtors are to be used by the relevant special purpose company exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds (the **Covered Bond Guarantee**).

Pursuant to Article *7-bis,* the purchase price of the assets to be comprised in the cover pool shall be financed through the taking of a loan granted or guaranteed by the banks selling the assets. The payment obligations of the special purpose company under such loan shall be subordinated to the payment obligations of special purpose company *vis-à-vis* the covered bondholders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables

and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

Under the Bank of Italy's official supervisory regulations issued on 17 May 2007 (the **BoI Regulations**), the covered bonds may be issued by banks which individually satisfy, or which belong to banking groups which on a consolidated basis satisfy, certain requirements related to the regulatory capital and the solvency ratio. Such requirements must also be complied with by banks selling the assets, where the latter are different from the bank issuing the covered bonds.

Eligibility criteria of the claims and limits to the assignment of claims

Under the MEF Decree, the following assets, *inter alia,* may be assigned to the special purpose vehicle, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets:

(a) Italian residential mortgage loans (*mutui ipotecari residenziali*) pursuant to Article 2, paragraph 1, lett. (a) of the MEF Decree;

(b) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) public administrations of States comprised in the European Economic Space and the Swiss Confederation (the **Admitted States**), including therein any Ministries, municipalities (*enti pubblici territoriali*)*,* national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to zero per cent. under the "Standardised Approach" to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement. Such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Guarantor;

(c) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in letter (a) and (b) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the "Standardised Approach" to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee "valid for purposes for the credit risk mitigation" as a guarantee eligible for the "credit risk mitigation", in accordance with Directive 2006/48/EC of 14 June 2006 (the **Restated Banking Directive**). Similarly, the "Standardised Approach" shall be the standardised approach to credit risk measurement as defined by the Restated Banking Directive.

The BoI Regulations set out certain limits to the possibility for banks to assign eligible assets, which are based on the level of the consolidated solvency ratio (**CSR**) and the "tier 1 ratio" (the **T1R**), in accordance with the following grid, contained in the BoI Regulations:

Capital adequacy condition		***Limits to the assignment***
Group "A"	CSR > 11 per cent. and T1R > 7 per cent.	No limits
Group "B"	CSR > 10 per cent. and < 11 per	Assignment allowed up to 60

	cent. and T1R>6.5 per cent.	per cent. of the eligible assets
Group "C"	CSR > 9 per cent. and < 10 per cent. and T1R>6 per cent.	Assignment allowed up to 25 per per cent. of the eligible assets

The relevant CSR and T1R set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group.

The Limits to the Assignment do not apply to Integration (as defined below) of the portfolio, provided that Integration is allowed exclusively within the limits set out by the BoI Regulations.

Ring Fencing of the Assets

Under the terms of Article 3 of Law 130, the assets relating to each transaction will by operation of law be segregated for all purposes from all other assets of the special purpose vehicle which purchases the receivables. On a winding up of such a special purpose vehicle such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued a guarantee and to the other Secured Creditors. In addition, the assets relating to a particular transaction will not be available to the holders of covered bonds issued under any other covered bonds transaction or to general creditors of the special purpose vehicle.

However, under Italian law, any other creditor of the special purpose vehicle would be able to commence insolvency or winding-up proceedings against the company in respect of any unpaid debt.

The features of the Covered Bond Guarantee

According to Article 4 of the MEF Decree, the Covered Bond Guarantee shall be limited recourse to the Cover Pool, irrevocable, callable on demand, unconditional and independent from the obligations assumed by the issuer under the covered bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the Guarantor, limited recourse to the guarantor's available funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the issuer.

In order to ensure the autonomous and independent nature of the Covered Bond Guarantee, Article 4 provides that the following provisions of the Italian Civil Code, generally applicable to personal guarantees (*fideiussioni*), shall not apply:

(a) Article 1939, providing that a *fideiussione* shall not generally be valid where the guaranteed obligation is not valid;

(b) Article 1941, para. 1, providing that a *fideiussione* cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation;

(c) Article 1944, para. 2, providing, inter alia, that the parties to the contract pursuant to which the *fideiussione* is issued may agree that the guarantor shall not be obliged to pay before the attachment is carried out against the guaranteed debtor;

(d) Article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to raise, except for the objection relating to the lack of legal capacity on the part of the guaranteed debtor;

(e) Article 1955, providing that a *fideiussione* shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor;

(f) Article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware that the economic conditions of the principal obligor were such that recovering the receivable would have become significantly more difficult;

(g) Article 1957, providing, inter alia, that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

The obligations of the Guarantor following a liquidation of the issuer

The MEF Decree also set out certain principles which are aimed at ensuring that the payment obligations of the Guarantor are isolated from those of the issuer. To that effect it requires that the Covered Bond Guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the issuer's default, so that the payment profile of the covered bonds shall not automatically be affected thereby.

More specifically, Article 4 of the MEF Decree provides that in the event of breach by the issuer of its obligations *vis-à-vis* the holder of the covered bonds, the Guarantor shall assume the obligations of the Issuer – within the limits of the portfolio – in accordance with the terms and conditions originally set out for the covered bonds. The same provision applies where the issuer is subjected to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by Article 1186 of the Civil Code and affecting the issuer shall not affect the payment obligations of the Guarantor under the Covered Bond Guarantee. Pursuant to Article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Civil Code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with Article 4, para. 3, of the MEF Decree, in case of *liquidazione coatta amministrativa* of the issuer, the Guarantor shall exercise the rights of the holders of the covered bonds *vis-à-vis* the issuer in accordance with the legal regime applicable to the issuer. Any amount recovered by the Guarantor as a result of the exercise of such rights shall be deemed to be included in the Cover Pool.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Law.

Controls over the transaction

The BoI Regulations lay down rules on controls over transactions involving the issuance of covered bonds.

Inter alia, resolutions on the assignment of portfolios to the Guarantor are passed, both in the initial phase of transactions and in later phases, following analyses of appraisal reports on the Cover Pool prepared by an auditing firm (*attestazione*). Such report would not be necessary where the assignment is carried out at the book values set out in the most recent approved balance sheet of the selling bank, provided that the auditing firm did not make any observations on the same.

The management body must ensure that the structures delegated to the risk management verify at least every six months and for each transaction, *inter alia*:

(a) the quality and integrity of the assets sold to the Guarantor securing the obligations undertaken by the latter;

(b) compliance with the maximum ratio between covered bonds issued and the Receivables sold to the Guarantor for purposes of backing the issue, in accordance with the MEF Decree;

(c) compliance with the Limits to the Assignment and the rules on, and Limits to, the Integration set out by the BoI Regulations;

(d) the effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out of the legal aspects of the activity on the basis of specially issued legal opinions setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, inter alia, the characteristics of the Covered Bond Guarantee.

The BoI Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction and the integrity of the Guarantor (the **Asset Monitor**).

Pursuant to the BoI Regulations, the Asset Monitor shall be an auditing firm having professional experience which is adequate in relation to the tasks entrusted with the same and independent from: (a) the audit firm entrusted with the auditing of the issuing bank; (b) the bank which is granting the relevant mandate; and (c) the other entities which take part to the transaction.

Based upon controls carried out and assessments on the performance of transactions, the Asset Monitor shall prepare annual reports, to be addressed, inter alia, to the control body of the bank which granted the mandate to the Asset Monitor. The BoI Regulations cite the provisions (art. 52 and 61, para 5, of the Banking Law), which impose on persons responsible for conducting controls specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the Guarantor can fulfil, in an orderly and timely manner, the obligations arising under the Covered Bond Guarantee, the issuing banks shall use asset and liability management techniques for purposes of assuring, including by way of specific controls at least every six months, stability between the payment dates of the cashflows generated under the assets assigned to the Guarantor, and included in the latter's segregated portfolio, and the payments dates with respect to payments due by the issuing bank in connection with the Covered Bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the Covered Bonds transactions shall assume contractual undertakings allowing the issuing and the assigning bank (and the third party servicer, if any) to hold the information on the assigned assets (including the status thereof) which are necessary for the carrying of the controls described in the BoI Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the membership to the central credit register (*Centrale dei Rischi*).

9. DESCRIPTION OF THE HEDGING AGREEMENT AND THE HEDGING COUNTERPARTY

9.1 Description of the Hedging Agreement

The Issuer and Deutsche Bank AG, acting through its London Branch (the **Hedging Counterparty**) will enter into a Hedging Agreement on the basis of a 1992 Master Agreement (Multicurrency-Cross Border) and schedule under English law, as published by the International Swaps and Derivatives Association, Inc. (ISDA), as supplemented by a confirmation in respect of the interest rate swap and a credit support annex. The Hedging Agreement will be entered into on the Issue Date.

The Hedging Agreement is an interest rate swap transaction related to the Notes and the Collateral and for the purposes of which both the Issuer and the Hedging Counterparty undertake to make periodic payments.

The payments which the Hedging Counterparty undertakes to make under the Hedging Agreement equal the Issuer's interest and principal payments in respect of the Notes. In return, the Issuer will pay to the Hedging Counterparty the fixed rate interest payments, and all principal amounts (in each case, howsoever described), that it receives under the Collateral. Also under the Hedging Agreement, on the Issue Date the Issuer will pay to the Hedging Counterparty the proceeds of the issuance of the Notes and the Hedging Counterparty will deliver the Collateral.

The Hedging Agreement will be terminated on or about the Maturity Date of the Notes unless terminated earlier in accordance with its terms, including due to an event of default or termination event under the Hedging Agreement. An event of default under the Hedging Agreement includes, amongst other things, (subject to applicable grace period) a failure by a party to pay any amount due under the Hedging Agreement, (subject to applicable grace period) a failure by the Hedging Counterparty to perform any obligation under the Hedging Agreement or the bankruptcy of a party.

The Hedging Agreement will terminate in full if all Notes are cancelled prior to the Maturity Date or if an Event of Default occurs in respect of the Notes. Events of Default in respect of the Notes include:

(i) a payment default by the Issuer in respect of the Notes which continues unremedied for a period of 14 days or more;

(ii) failure by the Issuer to perform or observe any of its other obligations under the Notes and the Series Instrument which failure continues unremedied for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied (unless such failure is, in the opinion of the Trustee, incapable of remedy in which case no such notice is required); and

(iii) if any order shall be made by any competent court or any resolution passed for the winding-up or dissolution (including, without limitation, any bankruptcy (*faillite*), insolvency, voluntary of judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement),* controlled management (*gestion contrôlée),* fraudulent conveyance (*actio pauliana*), general settlement with creditors or reorganisation proceedings or similar proceedings affecting the rights of creditors generally) of the Company or the Issuer (as appropriate) save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or formal notice is given of an intention to appoint an administrator (including, without limitation, any receiver (*curateur*), liquidator (*liquidateur*), auditor (*commissaire*), verifier (*expert-vérificateur*), *juge délégué* or *juge commissaire*), or any application is made

or petition is lodged or documents are filed with the court or administrator in relation to the Company or the Issuer (as appropriate).

The Hedging Agreement will terminate in part (on a pro rata basis in a proportion of its nominal amount equal to the proportion that the Nominal Amount of the Notes being cancelled bears to the Aggregate Nominal Amount of Notes immediately prior to such cancellation) if some of the Notes are cancelled prior to the Maturity Date pursuant to the Conditions. Furthermore, the Hedging Agreement may be terminated early in case of an early redemption of the Notes.

9.2 Description of the Hedging Counterparty

Incorporation, Registered Office and Objectives

Deutsche Bank Aktiengesellschaft (**Deutsche Bank AG** or the **Bank**) originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Düsseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank AG which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957. Deutsche Bank AG is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000. The Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Taunusanlage 12, 60325 Frankfurt am Main (telephone: +49-69-910-00) and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

The Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a property finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies (the **Deutsche Bank Group**).

The objects of Deutsche Bank AG, as laid down in its Articles of Association, include the transaction of all kinds of banking business, the provision of financial and other services and the promotion of international economic relations. The Bank may realise these objectives itself or through subsidiaries and affiliated companies. To the extent permitted by law, the Bank is entitled to transact all business and to take all steps which appear likely to promote the objects of the Bank, in particular: to acquire and dispose of real estate, to establish branches at home and abroad, to acquire, administer and dispose of participations in other enterprises, and to conclude enterprise agreements.

Deutsche Bank AG, acting through its London Branch

The Hedging Agreement will be entered into by Deutsche Bank AG, acting through its London branch (**Deutsche Bank AG, London Branch**). On 12th January, 1973, Deutsche Bank AG filed in the United Kingdom the documents required pursuant to section 407 of the Companies Act 1948 to establish a place of business within Great Britain. On 14th January, 1993, Deutsche Bank AG registered under Schedule 21A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG, London Branch is an authorised person for the purposes of section 19 of the Financial Services and Markets Act 2000. In the United Kingdom, it conducts wholesale banking business and through its Private Wealth Management division, it provides holistic wealth management advice and integrated financial solutions for wealthy individuals, their families and selected institutions.

10. BOOK ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream Luxembourg (the **Clearing Agent**) currently in effect. The information in this section concerning the Clearing Agents has been obtained from sources that the Issuer believes to be reliable, but the Issuer does not take any responsibility for the accuracy thereof. Investors wishing to use the facilities of each Clearing Agent are advised to confirm the continued applicability of the rules, regulations and procedures of each Clearing Agent. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of each Clearing Agent or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Each Clearing Agent holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Each Clearing Agent provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing and also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Each Clearing Agent's customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to the Clearing Agents is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

11. GENERAL INFORMATION

(1) This Prospectus and the issue of the Series of Notes described hereunder have been duly authorised by the Board.

(2) The net proceeds from the issue of the Series of Notes under this Prospectus will be used for financing the purchase of the Collateral and the conclusion of the Hedging Agreement by the Issuer.

(3) There has been no significant change in the financial or trading position of the Issuer, and no material adverse change in the financial position or prospects of the Issuer in each case, since the date of the latest audited accounts dated 31 January 2011.

(4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had since its incorporation, a significant effect on the financial position or profitability of the Issuer.

(5) Save as disclosed in this Prospectus in the section "Risk Factors – Risk factors relating to the Notes – (k) Potential conflict of interest", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

(6) Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes 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).

(7) The Issuer reserves the right to apply for the Notes to be admitted to trading on the multilateral trading facility EuroTLX (managed by EuroTLX SIM S.p.A.). The Issuer is not a sponsor of, nor is

responsible for, the admission and trading of the Notes on the EuroTLX and no assurance can be given that any such application will be successful.

(8) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In respect of this issue of Notes, the International Securities Identification Number (ISIN) will be: XS0654087831and the Common Code will be: 065408783.

(9) The Issuer does not intend to provide any post-issuance transaction information in relation to the Notes or the performance of any Collateral or Series Assets or in relation to the Underlying Floating Interest Rate in respect of this Series of Notes. The Aggregate Nominal Amount of Notes as of the Issue Date will be specified in the Series Instrument.

(10) From the date of this Prospectus and for so long as any of the Notes remain outstanding, the following documents will be available, during usual business hours on any day (Saturdays, Sundays and public holidays excepted) for inspection at the specified offices of the Paying Agents (and copies of the documents specified in sub-paragraphs (ii) and (iv) below may be obtained free of charge from the specified office of the Paying Agents):

(i) the consolidated version of the Articles of the Company;

(ii) this Prospectus (which may also be inspected on the website of www.bourse.lu);

(iii) the Series Instrument relating to the issue of the Notes and such documents entered into by the execution of the Series Instrument including, for the avoidance of doubt, the Agency Agreement, the Hedging Agreement and the Purchase Agreement;

(iv) the most recently published audited and unaudited financial statements of the Issuer;

(v) such other documents as may be required by the rules of any stock exchange on which the Notes are at the relevant time listed; and

(vi) no later than fifteen days before any general meeting of holders of Ordinary Shares:

(a) the balance sheet and profit and loss account;

(b) the list of sovereign debt, shares, bonds and other company securities comprising each compartment of the Issuer;

(c) the list of holders of Ordinary Shares that are not paid-up, with an indication of the number of their Ordinary Shares and their domicile; and

(d) the report of the statutory auditors of the Issuer.

(11) Ratings

S&P Ratings

Long-term ratings by S&P are divided into several categories ranging from 'AAA', reflecting the strongest creditworthiness, over categories 'AA', 'A', 'BBB', 'BB', 'B' 'CCC', 'CC', 'C' to category 'D', reflecting that an obligation is in payment default.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus ('+') or minus ('-') sign to show relative standing within the major rating categories. S&P does not modify the rating of 'AAA' by a plus or a minus sign.

Short-term ratings by S&P are divided into several categories ranging from 'A-1', reflecting the strongest creditworthiness, over categories 'A-2', 'A-3', 'B', 'C' to category 'D' reflecting that an obligation is in payment default.

Other than the category 'A-1' which may be modified by the addition of a plus ('+') to show relative standing within the category 'A-1', S&P does not modify short-term ratings by a plus or a minus sign.

Moody's Ratings

Long-Term Ratings by Moody's are divided into several categories ranging from 'Aaa', reflecting a credit judged to be of the highest quality, with minimal credit risk, over categories 'Aa', 'A', Baa', 'Ba', 'B', 'Caa', 'Ca' to category 'C' reflecting obligations are typically in default, with little prospect for recovery of principal or interest.

Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from 'Aa' through 'Caa'. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short-Term Ratings by Moody's are divided into several categories ranging from 'P-1' (Prime-1), reflecting the strongest creditworthiness, over categories 'P-2', 'P-3', to category 'NP', reflecting obligations that do not fall within any of the Prime rating categories.

Fitch's Ratings

Long-term ratings by Fitch are divided into several categories ranging from 'AAA', reflecting the strongest creditworthiness, over categories 'AA', 'A', 'BBB', 'BB', 'B' 'CCC', 'CC', 'C'. Defaulted obligations typically are not assigned 'D' ratings, but are instead rated in the 'B' to 'C' rating categories, depending upon their recovery prospects and other relevant characteristics.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' obligation rating category, or to corporate finance obligation ratings in the categories below 'B'.

Short-term ratings by Fitch are divided into several categories ranging from 'F1', reflecting the strongest creditworthiness, over categories 'F2', 'F3', 'B', 'C', 'RD' to category 'D' indicating a broad-based default event for an entity, or the default of a short-term obligation.

12. DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or filed with the CSSF (in its capacity as competent authority), shall be deemed to be incorporated in, and to form part of, this Prospectus for informational purposes only save that any statement contained in this Prospectus or in a document all or the relevant portion of which is incorporated by reference in this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference in this Prospectus by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive and article 13 of the Prospectus Act 2005 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 Prospectus:

Comparative table of documents incorporated by reference:

Document incorporated by reference	*Pages of document incorporated by reference*
Consolidated version of the Articles of the Company	All pages
Annual accounts and independent auditor's report dated 31 January 2011	Pages 4-5 (Independent Auditor's Report) Pages 2 (Management Report) Page 3 (Statement of the Board of Directors' Responsibility) Page 6 (Balance Sheet of the Issuer) Page 7 (Profit and Loss Account of the Issuer) Pages 8-14 (Balance Sheet of the Compartments) Pages 15-22 (Profit and Loss Account of the Compartments) Pages 23-52 (Notes to the Annual Accounts)
Annual accounts and independent auditor's report dated 31 January 2010	Pages 1-2 (Independent Auditor's Report) Pages 3-4 (Management Report) Page 5 (Statement of the Board of Directors' Responsibility) Page 6 (Balance Sheet of the Issuer) Page 7 (Profit and Loss Account of the Issuer) Pages 8-13 (Balance Sheet of the Compartments) Pages 14-19 (Profit and Loss Account of the Compartments)

	Pages 20-39 (Notes to the Annual Accounts)]

Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg and will be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Notes, prepare a Supplement to this Prospectus in accordance with article 16 of the Prospectus Directive and article 13 of the Prospectus Act 2005 and such Supplement will be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

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