

Securities Note and Summary dated February 8, 2006 relating to Series 4226

Financial Services Authority
 UK Listing Authority
 Document approved
 Date: 8 February 2007
 Signed: 1. [Signature]
 Signed: 2. [Signature]

MERRILL LYNCH & CO., INC.

(incorporated under the laws of the State of Delaware, U.S.A.)

Issue of Up to EUR 70,000,000 Commodity Basket Linked Notes due March 2012 (the "Notes")
(ISIN: XS0283304052)

under the U.S.\$60,000,000,000 Euro Medium-Term Note Program

Merrill Lynch & Co., Inc. (the "**Company**" or the "**Offeror**") has prepared a Registration Document dated May 10, 2006 (the "**Registration Document**" which definition shall also include all information incorporated by reference therein), for use in connection with notes issued from time to time under its U.S.\$60,000,000,000 Euro Medium-Term Note Program (the "**Program**"). Such Registration Document contemplates the use of a securities note documenting certain information relating to notes offered pursuant to the Program and such other information as may be required from time to time under the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**", which term includes relevant implementing measures) and a summary conveying the essential characteristics and risks associated with the Company and the Notes. The Registration Document, together with this securities note (including the appendices hereto) (the "**Securities Note**") and the summary, a copy of which is set out herein (the "**Summary**"), constitute a prospectus in respect of the Notes for the purposes of the Prospectus Directive. This Securities Note and the Summary must be read in conjunction with the Registration Document and the information incorporated herein by reference, as supplemented and amended from time to time. References in the Securities Note to "this Securities Note" should be read and construed as references to the Securities Note together with the Registration Document and the Summary. Full information on the Company and the offer of the Notes is only available on the basis of the combination of this Securities Note, the Registration Document and the Summary. The Company has also prepared a base prospectus dated May 10, 2006 (the "**Base Prospectus**" which definition also includes the Base Prospectus, as supplemented by prospectus supplements dated July 24, 2006, August 9, 2006, October 20, 2006, November 9, 2006, and February 6, 2007 and as amended or updated from time to time and all information incorporated by reference therein) for use in connection with the issue of notes under the Program. The Base Prospectus does not form part of this Securities Note, other than those provisions of the Base Prospectus specifically incorporated by reference herein (see "*Incorporation by Reference*" herein).

This Securities Note and Summary, when read together with the Registration Document, has been approved by the Financial Services Authority (the "**FSA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 ("**FSMA**") (the "**UK Listing Authority**"). Application is being made for the Notes to be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. The London Stock Exchange's Gilt Edged and Fixed Interest Market is a regulated market for the purposes of Directive 93/22/EC (the "**Investment Services Directive**"). Information concerning the Notes and the terms and conditions thereof are set forth in this Securities Note which will be delivered to the London Stock Exchange's Gilt Edged and Fixed Interest Market, on or before the date of issue of the Notes. The Company intends to request that the UK Listing Authority provide to the competent authority in the Republic of Italy ("**Italy**") a certificate of approval attesting that the Registration Document and this Securities Note and the Summary have been drawn up in accordance with the Prospectus Directive.

Arranger and Relevant Dealer
Merrill Lynch International

The final terms of the Notes containing pricing information are set out herein (see "**Final Terms**") and should be read together with, and construed in accordance with, the terms and conditions of the Notes (the "**Terms and Conditions**") as set out in Appendix A (*Special Conditions*) and Appendix C (*Terms and Conditions*) herein.

See "*Additional Risk Factors Relating to the Notes*" herein for a discussion of certain risks, additional to those which are set out in the Registration Document, that should be considered in connection with an investment in the Notes offered hereby.

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PART 1 - SUMMARY

*This Summary must be read as an introduction to the Registration Document dated May 10, 2006, prepared by the Company in connection with notes issued under its U.S. \$60,000,000,000 Euro Medium-Term Note Program (the "**Registration Document**") and the Securities Note dated February 8, 2007 prepared by the Company in connection with the Notes (the "**Securities Note**"). Any decision to invest in any Notes should be based on a consideration by an investor of the Registration Document and the Securities Note, taken together, including any documents or information incorporated by reference herein and therein. No civil liability attaches to the Company in respect of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the Securities Note. Where a claim relating to information contained in this Summary and/or the Securities Note is brought before a court in an European Economic Area member state (each, an "**EEA State**"), the claimant may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating the Registration Document and Securities Note before the legal proceedings are initiated.*

Words and expressions defined in Appendix C (Terms and Conditions), and in Appendix A (Special Conditions) to the Securities Note shall have the same meanings in this Summary.

Issuer:	Merrill Lynch & Co., Inc. (the " Company " or the " Offeror "), a Delaware corporation, is a holding company that, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis, to a wide array of clients, including individual investors, small and large businesses, public companies, financial institutions, governments and government agencies. The Company conducts business from various locations throughout the world.
Dealer:	Merrill Lynch International
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch
Aggregate Principal Amount:	Up to EUR 70,000,000 in aggregate principal amount.
Distribution:	Notes may be distributed outside the United States to persons other than U.S. persons (as such terms are defined in Regulation S under the United States Securities Act of 1933, as amended from time to time (the " Securities Act ")) in accordance with the Selling Restrictions.
Currency:	Euro (" EUR " or " € ")
Issue Date:	March 30, 2007
Maturity Date:	March 30, 2012
Issue Price:	100.00 per cent. of the Aggregate Principal Amount.
Offer Price:	100.00 per cent. of the Aggregate Principal Amount.
Total commission:	The total commission is the sum of (i) the selling fee to be paid to the Distribution Network of between 0 per cent. and 4 per cent. (expected to be 2.896 per cent.) of the aggregate principal amount of the Notes placed by the Distributors and (ii) the management fee to be paid to the Distribution Manager of between 0 and 1 per cent. (expected to be 0.724 per cent.) of the aggregate principal amount of the Notes placed by the Distributors, payable on the Issue Date.

Offer Period:	From (and including) February 15, 2007 up to (and including) March 26, 2007 during usual banking business hours in Milan, Italy.
Distribution Manager in respect of the Distribution Network:	<p>MPS Finance Banca Mobiliare SpA Via Nino Bixio, 2 53100 Siena Republic of Italy</p> <p>(Offices: Viale Mazzini 23 53100 Siena Republic of Italy)</p>
Distribution Network:	<p>The Notes will be publicly offered in Italy through the Distribution Network and managed and coordinated by the Distribution Manager:</p> <p>Banca Monte dei Paschi di Siena S.p.A. Piazza Salimbeni 53100 Siena Republic of Italy</p> <p>Banca Toscana S.p.A. Via Leone Pancaldo, 4 50100 Firenze Republic of Italy</p> <p>The Notes will not be underwritten or guaranteed.</p> <p>A prospective investor should contact a Distributor prior to the end of the Offer Period and will subscribe for Notes in accordance with arrangements existing between the relevant Distributor and its customers relating to the subscription of securities generally and not directly with the Issuer related to the subscription for the Notes.</p>
Passporting:	<p>A Prospectus (as defined in the Prospectus Directive) has been prepared in connection with the Notes and shall be submitted for approval by the UK Listing Authority. The Company intends to request that the UK Listing Authority provide to the competent authority in Italy a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive. The Prospectus will not be notified to the competent authority of any other EEA State. Upon such approval, the Notes may be offered to the public only in accordance with the requirements of the Prospectus Directive as implemented in the relevant member states and/or in accordance with the requirements of the applicable securities laws and regulations.</p> <p>Any investor intending to purchase the Notes in Italy should contact a Distributor or, if such investor intends to purchase the Notes in another jurisdiction, its financial advisor, bank or financial intermediary for more information.</p>
Form of Notes:	Bearer
Interest payable on the Notes:	Interest is payable annually. Each Specified Denomination of the Notes will pay (i) on the first interest payment date, a fixed coupon equal to 4.00 per cent. per annum, and (ii) on the remaining interest payment dates, a variable coupon linked to a basket of commodities as further specified in the Final Terms and in paragraph 2.1 of Appendix A thereto which provides, inter alia, that the variable coupon will be equal to 6.00 per cent. per annum, if, on each relevant Observation Date (scheduled to fall on 16 March and 16

September, subject to the adjustment) falling in the relevant Observation Period, the Reference Value of each Commodity in the Reference Basket is greater than 55.00 per cent. of the Reference Value of that Commodity on the Strike Date. Otherwise the variable coupon shall be 1.00 per cent. per annum of each Specified Denomination.

Reference Basket:

- WTI Crude Oil - WTI Futures Contract;
- Aluminium - official fixing price per tonne;
- Copper - official fixing price per tonne;
- Zinc - official fixing price per tonne;
- Nickel - official fixing price per tonne; and
- Gold - Gold Futures Contract.

Redemption:

Redemption at Par

Denomination of Notes:

EUR 1,000

Taxation:

All payments under the Notes will be made without withholding or deduction for or on account of any taxes or other charges imposed by any governmental authority or agency in the United States of America, except as provided in Condition 8. The relevant provisions of Italian taxation law are described in Appendix D (*Information Regarding Italian Taxation*) of the Securities Note.

Status of the Notes:

The Notes will constitute direct, unsecured, unsubordinated and general obligations of the Company and will rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Company.

Program Rating:

S&P: AA-/A-1+; Moody's: Aa3; Fitch: AA-

Listing:

Application will be made for the Notes to be admitted to the Official List of the UKLA and to trading on the Gilt Edged and Fixed Interest Market of the London Stock Exchange.

Governing Law:

The Notes will be governed by, and construed in accordance with, the laws of the State of New York, United States of America.

Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act and may not 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. In addition, the Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or to United States Persons, as that term is defined in the section of the Base Prospectus entitled "*United States Income and Estate Taxes*" which is incorporated by reference into the Securities Note. For a description of certain restrictions on offers, sales and deliveries of Notes in the United States of America, European Economic Area, United Kingdom, Republic of Italy, The Grand Duchy of Luxembourg, Japan and Singapore, see "*Subscription and Sale*" of the Base Prospectus incorporated by reference into the Securities Note.

Republic of Italy

The Notes can only be offered in compliance with all applicable laws and regulations in the Republic of Italy.

Risk Factors:

Prospective investors should consult their own financial and legal advisors about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.

Risks relating to the Company

Market Conditions: The financial services industry is influenced by numerous unpredictable factors, including economic conditions, monetary and fiscal policies, liquidity of global markets, political events, war or terrorism, changes in laws and regulations, competitive environment, investor sentiment and the outcome of legal and regulatory investigations and proceedings. These factors can significantly affect the volatility of the financial markets. As a result, Merrill Lynch's volumes, revenues and net earnings may vary significantly from period to period, particularly affecting businesses such as brokerage, trading, investment banking, commercial banking, wealth management and asset management.

Competition Considerations: The financial services industry continues to be affected by an intensifying competitive environment and Merrill Lynch competes for clients, market share and human talent.

Regulatory Considerations: The financial services industry is impacted by the regulatory and legislative environment. Both inside and outside the United States, there is continued focus on regulatory supervision of both commercial and investment banks as an industry and on an individual basis, especially in the areas of capital and risk management, and anti-money laundering.

Litigation Risk: Merrill Lynch is a defendant in various legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities as a global diversified financial services institution. Some of the legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages, some of which may result in adverse judgments, settlements, penalties, injunctions, fines, or other relief.

Risks Relating to the Notes

Investor suitability. Investors in the Notes should have such knowledge and experience in financial and business matters and expertise in assessing credit risk and be capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Company.

Structural Risks. An investment in the Notes will entail significant risks not associated with a conventional fixed rate or floating rate debt security. Such risks include, without limitation, changes in the relative level or value of the Reference Basket. Prospective investors may receive an amount less than their initial investment (i) if investors sell the Notes prior to the stated Maturity Date, (ii) if investors purchase Notes for an amount in excess of the par value thereof or (iii) in the case of an early redemption of the Notes.

Past performance of the Basket Components constituting the Reference Basket is not necessarily indicative of future performance.

Early Redemption and Associated Costs. The Notes may be redeemed early in certain circumstances, including for taxation reasons, upon a Regulatory Redemption Event, upon an unlawful event or upon an acceleration of the Notes. In such case, the Early Redemption Amount of the Notes will be based upon the Calculation Agent's determination of the market value of each Note subject to deduction of Associated Costs. The quantum of such Associated Costs will be affected by many factors including, but not limited to, any funding related costs and any costs associated with unwinding any hedge positions relating to the Notes. Investors should be aware that in the event of an early redemption the Notes are not principal protected and the Early Redemption Amount payable to any investor may be substantially less than the par value of the Notes or, it is possible that, an investor may lose all

of its investment.

Liquidity Risks. No representation is made as to the existence of a market for the Notes. Whilst Merrill Lynch International intends under ordinary market conditions to indicate prices in the Notes there can be no assurance as to the prices that would be indicated or that Merrill Lynch International will offer to purchase Notes. The price given, if any, will be affected by many factors including, but not limited to, the remaining term and outstanding principal amount of the Notes, the value of the Basket Components, interest rates, fluctuations in exchange rates, volatility in the prices of the Basket Components and credit spreads. Consequently, prospective investors must be prepared to hold the Notes for an indefinite period of time or until the redemption or maturity of the Notes.

Potential for Notes to Trade at a Discount. The Notes may trade at a discount to their face value and trading levels will be influenced by the value and performance of the Basket Components.

Potential Conflicts of Interest. The Company's subsidiary, Merrill Lynch International, is the Company's agent for the purposes of, among other things, determining the value of the Basket Components on each Observation Date and calculating the Variable Coupon Amount. Under certain circumstances, Merrill Lynch International's role as the Company's subsidiary and its responsibilities as Calculation Agent could give rise to conflicts of interest. These conflicts could occur, for instance, in connection with its determination as to whether the value of the Basket Components can be obtained on a particular day, or in connection with judgements that it would be required to make if any Basket Components were unavailable. Merrill Lynch International is required to carry out its duties as Calculation Agent in good faith, acting reasonably and on an arms-length basis. However, investors should be aware that because the Company controls Merrill Lynch International potential conflicts of interest could arise. The Company has entered into an arrangement with one of its subsidiaries to hedge the market risks associated with its obligation to pay amounts due at maturity on the Notes. This subsidiary expects to make a profit in connection with this arrangement. The Company did not seek competitive bids for this arrangement from unaffiliated parties.

Conflicts of Interest in the Distribution Network. Potential conflicts of interest may arise because the Distribution Manager and each of the Distributors are affiliates of the MPS Banking Group and because each Distributor receives a fee from the Company calculated as a percentage of the aggregate principal amount of Notes placed by such Distributor.

Investors must rely on their own evaluation of the merits of an investment in the Notes. In the ordinary course of its businesses, the Company or its affiliates from time to time may express views on expected movements in swap rates. However, these views, depending upon world-wide economic, political and other developments, may vary over differing time-horizons and are subject to change. Other professionals who deal in interest rate swaps may at any time have significantly different views from those of the Company or its affiliates.

Related Trading Activity. The Company and its affiliates may buy or sell obligations or have long positions in securities economically related to the Notes for their own account for business reasons or in connection with hedging of the obligations under the Notes. The Company and its affiliates have not and are not required to consider the interests of Noteholders in connection with entering into any of the above-mentioned transactions.

Credit Ratings. The credit ratings assigned to the Program reflect the rating

agencies' respective assessment of the Company's ability to pay its obligations and may not reflect the potential impact of all risks related to structure, market or other factors on the value of the Notes. Real or anticipated changes in credit ratings will generally affect the market value of the Notes.

PART 2 – SECURITIES NOTE

RESPONSIBILITY STATEMENT

The Company accepts responsibility for the information contained in this Securities Note and Summary. To the best of the knowledge of the Company (which has taken all reasonable care to ensure such is the case) the information contained in this Securities Note and Summary is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information relating to each of the Basket Components contained in the Appendix hereto consists of extracts from, or summaries of, publicly available information. The Company confirms that such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Neither the Company nor the Manager accepts any further responsibility in respect of such information. See the disclaimer language set forth under the description of each Basket Component for important information regarding the information set forth herein.

Terms used herein shall, save as otherwise defined herein, have the same meanings as set forth in the Terms and Conditions contained in Appendix C (*Terms and Conditions*) herein.

This Securities Note and the Summary should be read and construed together with any amendment or supplement hereto and with any other document incorporated by reference herein.

INCORPORATION BY REFERENCE

The following sections of the Base Prospectus, which has been approved as a base prospectus for the purposes of the Prospectus Directive, shall be deemed to be incorporated in, and form part of, this Securities Note: (i) Form of the Notes; (ii) Use of Proceeds; (iii) Subscription and Sale; (iv) United States Income and Estate Taxes; (v) European Union Savings Tax Directive; and (vi) General Information. The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006, the Company's Current Report on Form 8-K dated July 18, 2006, the Company's Current Report on Form 8-K dated October 17, 2006, the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 29, 2006 and the Company's Current Report on Form 8-K dated January 18, 2007 which, respectively, form part of the supplementary prospectuses dated August 9, 2006, July 24, 2006, October 20, 2006, November 9, 2006 and February 6, 2007 and which have been previously published and approved by the Financial Services Authority and filed with it, shall also be deemed to be incorporated in, and to form part of, this Securities Note. Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Securities Note to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Securities Note.

The Company will provide, without charge, to each person to whom a copy of this Securities Note has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which or portions of which are incorporated by reference herein or which are incorporated by reference into the Registration Document. Written or oral requests for such documents or portions thereof should be directed to the principal office of Deutsche Bank AG, London Branch, the issuing and principal paying agent for the Notes. Copies of documents or portions thereof incorporated by reference in this Securities Note can also be obtained from the Company's corporate secretary's office at 222 Broadway, 17th Floor, New York, NY 10038-2510, USA.

ADDITIONAL RISK FACTORS RELATING TO THE NOTES

Prospective investors should consult their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances. In particular, the Notes may not be an appropriate investment for investors who are unsophisticated with respect to such transactions. Capitalised terms used in this section "Additional Risk Factors Relating to the Notes" are defined elsewhere in this Securities Note, including in Appendix A (Special Conditions) and Appendix C (Terms and Conditions).

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER CAREFULLY ALL THE INFORMATION SET OUT IN THE REGISTRATION DOCUMENT AND, IN PARTICULAR, THE RISK FACTORS DESCRIBED BELOW, BEFORE MAKING ANY DECISION TO INVEST IN THE NOTES.

1. Understanding and appropriateness of the investment

- 1.1 Each investor (a) should be an investor with substantial knowledge of and/or experience in structured products and other derivatives having such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks (including tax, legal, regulatory, accounting) of an investment in the Notes because the Notes are not an appropriate investment for investors who are unsophisticated with respect to such transactions; (b) should be financially able to bear such risks; (c) in making such investment, should not, and shall be deemed not to, rely on any advice or recommendations of or any information, representation or warranty provided by the Relevant Dealer, the Calculation Agent and/or any of their respective affiliates (together, "**Merrill Lynch**"), the Company, any other Dealer or any of their respective representatives; and (d) should seek advice from such advisors as such investor considers necessary and appropriate, to enable such investor to make its own independent decision with regard to the suitability and appropriateness of the Notes as an investment for its own account. Each investor should be capable of assessing and independently deciding, and should have assessed and independently decided, to assume the risks of an investment in the Notes.
- 1.2 Each investor in the Notes should consider the tax consequences of investing in the Notes. None of the Company, the Dealers or any of their respective representatives makes any representation nor has given to any potential investor, and will not give to potential investors, any advice concerning the appropriate accounting treatment or possible tax consequences of purchasing the Notes. Each investor should consult its own financial, tax, accounting and legal advisors about risks associated with an investment in the Notes and the suitability of investing in such Notes in light of the investor's particular circumstances.
- 1.3 Any information communicated (in any manner) to investors by the Company or Merrill Lynch should not be relied upon as investment advice or as a recommendation to invest in the Notes, which shall include, amongst other things, any such information, explanations or discussions concerning the terms and conditions of the Notes, or related features.
- 1.4 Investment in the Notes should comply, and be fully consistent, with all investment policies, guidelines and restrictions applicable to an investor. It is the responsibility of each investor to ensure that it is compliant with all regulations relevant to its acquisition of the Notes and that it is lawful for it to enter into such investment.
- 1.5 Any information communicated (in any manner) to investors by the Company, Merrill Lynch or the Dealers should not be relied upon, nor shall such be deemed to be an assurance or guarantee, as to the expected results of an investment in the Notes. Each investor should be aware that any return on the Notes may not exceed or even equal the return that might have been achieved had the amount of its initial investment been placed on deposit for the same period.
- 1.6 Each investor should be aware that none of the Company, Merrill Lynch or the Dealers is acting as a fiduciary or trustee for, or as an advisor to the investor with regard to, an investment in the Notes.
- 1.7 The Notes are denominated in euro. Investors that purchase the Notes with a currency other than euro should note that changes in rates of exchange may have an adverse effect on the value, price or income of their investment.

- 1.8 The Notes will constitute direct, unsubordinated, unsecured and general obligations of the Company and will rank equally with all other unsubordinated and unsecured indebtedness of the Company. Investors in the Notes should have such knowledge and experience in financial business matters and expertise in assessing credit risk and be capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Company. Investors in the Notes do so in reliance on their own assessment of the Company, this Securities Note, the Registration Document and the Base Prospectus.
- 1.9 None of the Company, the Calculation Agent, the Paying Agents, the Dealers or any of their affiliates has performed any investigation or review of the Basket Components constituting the Reference Basket, nor do they make any guarantee or express or implied warranty in respect of the calculation of the Basket Components constituting the Reference Basket. Investors should not conclude that the sale by the Company of the Notes is any form of investment recommendation by the aforementioned entities or any of them.
- 1.10 Investors in the Notes should have sufficient knowledge and experience in financial and business matters and expertise in assessing credit risk and be capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Company. The credit ratings of the Company are an assessment of its ability to pay its obligations and may not reflect the potential impact of all risks related to the Notes. In addition, real or anticipated changes in its credit ratings may affect the value of the Notes. However, because the return on the Notes is dependent upon factors in addition to its ability to pay its obligations under the Notes, an improvement in its credit ratings will not reduce the other investment risks related to the Notes.
- 1.11 Potential conflicts of interest may arise because the Distribution Manager and each of the Distributors in the Distribution Network are affiliates of the MPS Banking Group and because each Distributor receives a fee from the Company calculated as a percentage of the aggregate principal amount of Notes placed by such Distributor.

2. Investment considerations relating to the Notes

- 2.1 An investment in the Notes will entail significant risks not associated with a conventional fixed rate or floating rate debt security. Such risks include, without limitation, changes in the level or value of the Basket Components constituting the Reference Basket. Prospective investors may receive an amount less than their initial investment (i) if investors sell the Notes prior to the stated Maturity Date, (ii) if investors purchase Notes for an amount in excess of the par value thereof, or (iii) in the case of an early redemption pursuant to Item 26 of the Final Terms set out in this Securities Note. The Company has no control over a number of matters that are important in determining the existence, magnitude and longevity of such risks and their results, including economic, financial and political events.
- 2.2 Past performance of the Basket Components constituting the Reference Basket is not necessarily indicative of future performance.
- 2.3 The trading value of the Notes will be affected by factors that interrelate in complex ways. It is important for investors to understand that the effect of one factor may offset the increase in the trading value of the Notes caused by another factor and that the effect of one factor may exacerbate the decrease in the trading value of the Notes caused by another factor. For example, a change in the volatility or anticipated volatility of the Basket Components constituting the Reference Basket may offset some or all of any increase in the trading value of the Notes attributable to another factor.
- 2.4 The Notes may be redeemed early in certain circumstances, including for taxation reasons, upon a Regulatory Redemption Event, upon an illegal act or upon an acceleration of the Notes. In such case, the Early Redemption Amount of the Notes will be based upon the Calculation Agent's determination of the market value of each Note subject to deduction of Associated Costs. The quantum of such Associated Costs will be affected by many factors including, but not limited to, any funding related costs and any costs associated with unwinding any hedge positions relating to the Notes. **Investors should be aware that the Early Redemption Amount payable to any investor may be substantially less than the par value of the Notes or, it is possible that, an investor may lose all of its investment.**
- 2.5 No representation is made as to the existence of a market for the Notes. Whilst Merrill Lynch International intends under ordinary market conditions to indicate prices in the Notes there can be no assurance as to the prices that would be indicated or that Merrill Lynch International will offer to

purchase Notes. The price given, if any, will be affected by many factors including, but not limited to, the remaining term and outstanding principal amount of the Notes, the level of the Basket Components constituting the Reference Basket, interest rates, fluctuations in exchange rates, volatility in the prices of the component elements used to calculate the Basket Components constituting the Reference Basket and credit spreads. Consequently, prospective investors must be prepared to hold the Notes for an indefinite period of time or until the redemption or maturity of the Notes.

- 2.6 The Notes may trade at a discount to their face value. Trading levels of the Notes will be influenced by, among other things, the level and performance of the Basket Components constituting the Reference Basket.
- 2.7 The Company's subsidiary, Merrill Lynch International, is the Company's agent for the purposes of, among other things, determining the level of the Basket Components constituting the Reference Basket on each Observation Date and calculating the Index-Linked Interest Amount. Under certain circumstances, Merrill Lynch International's role as the Company's subsidiary and its responsibilities as Calculation Agent for the Notes could give rise to conflicts of interest. These conflicts could occur, for instance, in connection with its determination as to whether the level of the Basket Components constituting the Reference Basket can be obtained on a particular day, or in connection with judgements that it would be required to make in the event any of the Basket Components constituting the Reference Basket is unavailable. Merrill Lynch International is required to carry out its duties as Calculation Agent in good faith, acting reasonably and on an arms-length basis. However, investors should be aware that because the Company controls Merrill Lynch International potential conflicts of interest could arise. The Company has entered into an arrangement with one of its subsidiaries to hedge the market risks associated with its obligation to pay amounts due at maturity on the Notes. This subsidiary expects to make a profit in connection with this arrangement. The Company did not seek competitive bids for this arrangement from unaffiliated parties.
- 2.8 The Company and its affiliates may buy or sell obligations or have long positions in securities economically related to the Notes for their own account for business reasons or in connection with hedging of the obligations under the Notes. The Company and its affiliates have not and are not required to consider the interests of investors as holders of the Notes in connection with entering into any of the above-mentioned transactions.
- 2.9 The credit ratings assigned to the Program are a reflection of the rating agencies' respective assessment of the Company's ability to pay its obligations and may not reflect the potential impact of all risks related to structure, market or other factors on the value of the Notes. In addition, real or anticipated changes in credit ratings will generally affect the market value of the Notes.

THE RISK FACTORS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE A COMPREHENSIVE LIST OF ALL RISK FACTORS RELEVANT TO A DECISION TO PURCHASE OR HOLD THE NOTES. THE ATTENTION OF INVESTORS IS ALSO DRAWN TO THE SECTION HEADED "RISK FACTORS" OF THE BASE PROSPECTUS WHICH IS INCORPORATED BY REFERENCE IN THE REGISTRATION DOCUMENT.

FINAL TERMS

Defined terms used in these Final Terms shall be deemed to be defined as such for the purposes of the Special Conditions set forth in Appendix A (*Special Conditions*) to this Securities Note and the Terms and Conditions set forth in Appendix C (*Terms and Conditions*) to this Securities Note.

PART A – CONTRACTUAL TERMS

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|-----|--|---|
| 1. | Issuer: | Merrill Lynch & Co., Inc. (the " Company ") |
| 2. | (i) Series Number: | 4226 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies (in the case of Dual Currency Notes): | Euro (" EUR ") |
| 4. | Aggregate Principal Amount: | Up to EUR 70,000,000 Aggregate Principal Amount of the Notes. See also Item 9 of Part B of these Final Terms. |
| | (i) Series: | |
| | (ii) Tranche: | Up to EUR 70,000,000 Aggregate Principal Amount of the Notes. |
| 5. | Issue Price: | 100 per cent. of the Aggregate Principal Amount of the Notes. |
| 5A. | Offer Price: | <p>The Notes will be publicly offered through the Distribution Network, as defined hereinafter, to both institutional and individual investors at 100.00 per cent. of their aggregate principal amount.</p> <p>Any investor not located in the Republic of Italy should contact its financial advisor for more information, and may only purchase the Notes from its financial advisor, bank or financial intermediary.</p> |
| 5B. | Offer Period: | <p>From (and including) February 15, 2007 up to (and including) March 26, 2007 during the hours in which banks are generally open for business in Italy.</p> <p>The Notes will be placed into the Republic of Italy without any underwriting by the Distribution Network. No undertakings have been made by third parties to guarantee the subscription of the Notes.</p> <p>A prospective Noteholder should contact a Distributor prior to the end of the Offer Period. A prospective Noteholder will subscribe for Notes in accordance with the arrangements existing between the relevant Distributor and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer related to the subscription for the Notes.</p> <p>There are no pre-identified allotment criteria. The</p> |

Distribution Manager will adopt allotment criteria that ensure equal treatment of prospective investors. All of the Notes requested by the Distributors during the Offer Period will be assigned until reaching the maximum amount of the offer destined to prospective Noteholders (up to the amount of EUR 70,000,000).

For the avoidance of doubt, no dealings in the Notes may take place prior to the Issue Date.

Any investor not located in the Republic of Italy should contact its financial advisor for more information, and may only purchase the Notes from its financial advisor, bank or financial intermediary.

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| 6. | Specified Denominations: | EUR 1,000 |
| 7. | (i) Issue Date: | March 30, 2007 |
| | (ii) Interest Commencement Date: | March 30, 2007 |
| 9. | Maturity Date: | March 30, 2012 |
| 10. | Interest Basis: | Fixed Rate for the period from (and including) the Interest Commencement Date to (but excluding) the Fixed Interest Date (the " Fixed Interest Period ") and from then on Variable Coupon Amount (as defined below) for each Interest Period (as defined below) as determined by the Calculation Agent in accordance with the formula specified in Appendix A (<i>Special Conditions</i>) as contained herein. |
| 11. | Redemption/Payment Basis: | Redemption at Par |
| 12. | Change of Interest or Redemption/Payment Basis: | Interest will accrue on the Notes at a fixed rate as specified in Item 16 herein throughout the Fixed Interest Period and thereafter a Variable Coupon Amount shall be payable for each Interest Period (as defined below) as further set out in paragraph 2.1 of Appendix A (<i>Special Conditions</i>) hereto. |
| 13. | Put/Call Options: | Not applicable |
| 14. | Status of the Notes: | The Notes will constitute direct, unsecured, unsubordinated and general obligations of the Company and will save for such exceptions as may be provided by applicable legislation and judicial order rank <i>pari passu</i> with all other unsecured and unsubordinated indebtedness of the Company |
| 15. | Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 16. | Fixed Rate Note Provisions: | Applicable for the Fixed Interest Period only |
| | (i) Rate(s) of Interest: | 4.00 per cent. per annum |
| | (ii) Fixed Interest Date(s): | March 31, 2008 |

	(iii)	Fixed Coupon Amount(s):	EUR 40.00
	(iv)	Initial/Final Broken Amount(s):	Not applicable
	(vi)	Determination Date(s):	Not applicable
	(vii)	Other items relating to the method of calculating interest for Fixed Rate Notes:	Not applicable
	(viii)	Additional Business Centre(s)/Interest Payment Dates:	None
17.		Floating Rate Note Provisions:	Not applicable
18.		Zero Coupon Note Provisions:	Not applicable
19.		Indexed Note Provisions:	Applicable for each Interest Period (as defined below).
	(i)	Index/Formula:	For each Interest Period, either 6.00 per cent. per annum or 1.00 per cent. per annum as determined in accordance with the provisions of paragraph 2.1 in Appendix A (<i>Special Conditions</i>) as contained herein.
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest payable:	The Calculation Agent
	(iii)	Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest payable where calculation by reference to the Index/Formula is impossible or impractical:	As set out in paragraph 2.2 of Appendix A (<i>Special Conditions</i>) attached hereto.
	(iv)	Interest Period(s)/Interest Payment Dates:	Interest on the Notes shall be payable annually, in arrear, on each applicable Interest Payment Date as determined pursuant to paragraph 2.1 of Appendix A (<i>Special Conditions</i>). "Interest Payment Date(s)" means March 30, in each year from 2009 to 2012; and "Interest Period" means the period from (and including) March 31, 2008 to (but excluding) the first Interest Payment Date and each period thereafter from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date such dates not being subject to adjustment for non-Business Days.
	(v)	Business Day Convention:	Not applicable
	(vi)	Additional Business Centre(s)	Not applicable
	(vii)	Minimum Rate of Interest:	Not applicable
	(viii)	Maximum Rate of Interest:	Not applicable
	(ix)	Day Count Fraction:	As set out in paragraph 1 of Appendix A (<i>Special Conditions</i>) hereto.

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| 20. | Dual Currency Note provisions: | Not applicable |
| 21. | Credit-linked Note provisions: | Not applicable |
| 22. | Equity-linked Note provisions: | Not applicable |

PROVISIONS RELATING TO REDEMPTION

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| 23. | Company's Optional Redemption: | Not applicable |
| 24. | Redemption at the option of the Noteholders: | Not applicable |
| 25. | Final Redemption Amount: | Redemption at Par |
| 26. | Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or upon the other circumstances described in Condition 8 or upon acceleration of the Notes pursuant to Condition 12 and/or the method of calculating the same (if required or if different from that set out in Condition 4(f)): | <p>Condition 4(f) shall not apply.</p> <p>If the Notes are redeemed for or as a result of:</p> <ul style="list-style-type: none"> (a) taxation reasons (pursuant to Condition 4(b) or Condition 8); or (b) the occurrence of a Regulatory Redemption Event (as defined in paragraph 2.2 of Appendix A (<i>Special Conditions</i>) hereto); or (c) the occurrence of an Illegality Event (as defined in paragraph 2.3 of Appendix A (<i>Special Conditions</i>) hereto); or (d) an acceleration of the Notes (pursuant to Condition 12), <p>the Early Redemption Amount in respect of each Note of a Specified Denomination will, in each case, equal the Calculation Agent's determination of the market value of such Note taking into account factors including but not limited to: interest rates, index levels, implied volatilities in the option markets and exchange rates, <i>less</i> the Associated Costs (as defined below).</p> <p>"Associated Costs" means an amount per Note of the relevant Specified Denomination equal to the <i>pro rata</i> share (on the basis of the principal amount of the Note and the Aggregate Principal Amount of all Notes which have not been redeemed or cancelled as at the Early Redemption Date) of the total amount of any and all costs associated or incurred by the Company or any company affiliated with it in connection with such early redemption, including, without limitation, any costs associated with unwinding the funding relating to the Notes and any costs associated with unwinding any hedge positions relating to the Notes, all as determined by the Calculation Agent in its sole discretion.</p> |
| 27. | Cash Settlement Amount | Not applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 28. | Form of Notes: | |
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(i)	Bearer Notes:	<p>The Notes will be Bearer Notes and will initially be represented by a temporary global Note in bearer form, without interest coupons attached, which will be deposited with a common depository for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, <i>société anonyme</i> ("Clearstream, Luxembourg") on or about the Issue Date. Interests in the temporary global Note will be exchangeable for interests in a permanent global Note, without interest coupons attached, on a date (the "Exchange Date") not earlier than 40 days after the closing date upon appropriate certification as to non-U.S. beneficial ownership. The permanent global Note will be exchangeable in whole, but not in part, for definitive Notes in bearer form in the denominations of EUR1,000 each with interest coupons attached upon 60 days' written notice expiring at least 30 days after the Exchange Date. Interests in the permanent global Note will not be exchangeable for Notes in registered form.</p>
(ii)	Registered Notes:	Not applicable
(iii)	Registered Short-term Notes:	Not applicable
29.	New Global Note:	No
30.	Additional Financial Centre(s) or other special provisions relating to Payment Business Day:	Condition 5(c)(ii) applies - None
31.	Talons for future Coupons or Receipts to be attached to definitive Notes in bearer form (and dates on which such Talons mature):	No
32.	Details relating to Partly Paid Notes amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Company to forfeit the Notes and interest due on late payment:	Not applicable
33.	Details relating to Installment Notes:	Not applicable
34.	Redenomination, renominatisation and reconventioning provisions:	Not applicable
35.	Other terms or specified conditions:	<p>(a) <i>Calculation Agent.</i> "Calculation Agent" means Merrill Lynch International of Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom, or its successor as may be from time to time appointed by the Company.</p> <p>The Calculation Agent shall act as an independent expert and not as an agent for the Company or the Noteholders.</p> <p>All certificates, communications, opinions, determinations, calculations, questions and</p>

decisions and other exercises of discretion by the Calculation Agent shall be made by it in its sole and unfettered discretion, in good faith, acting reasonably and on an arms-length basis. All such calculations so made shall be final and binding (save in the case of manifest error) on the Company and the Noteholders. The Calculation Agent shall promptly notify the Agent and the Company upon any such determination or calculation, which shall (save in the case of manifest error) be final and conclusive, and the Calculation Agent shall have no liability in relation to the certificates, communications, opinions, determinations, calculations, questions and decisions or other exercises of discretion provided for herein, except in the case of willful default or bad faith.

- (b) *Market-making.* Merrill Lynch International (whether acting alone or through one or more of its affiliates or other appointed third parties) may (but shall at no time be obliged to) purchase, and re-sell Notes from time to time. No assurance is made that the Notes may be purchased by the Dealer or the Company at any time. Any such purchase will be at the Dealer's or the company's discretion and subject to various factors including, without limitation, then prevailing market conditions and applicable local laws and regulations.
- (c) *Special Conditions.* The definitions and provisions set out in Appendix A (*Special Conditions*) shall apply to the Terms and Conditions of the Notes in accordance therewith.

36. Further Issues provision:

Condition 16 (*Further Issues*) applies. If the Company issues further Notes of the same Series during the initial 40-day restricted period applicable to the outstanding Notes of such Series, then such 40-day period will be extended until 40 days after the later of the commencement of the offering and the Issue Date of such further issue of Notes. In addition, if the Company issues further Notes of the same Series after the expiration of the 40-day restricted period, a new 40-day restricted period will be applied to such further issue of Notes without applying to the outstanding Notes. After the expiration of the new 40-day restricted period, all such Notes will be consolidated with and form a single Series with the outstanding Notes.

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| 37. | Details relating to Notes that are payable and/or for which the obligations of the Company may be discharged by the delivery of securities and/or other property or any combination of cash, securities and/or other property: | Not applicable |
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DISTRIBUTION

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| 38. | (i) If syndicated, names of Managers: | Not applicable |
| | (ii) Date of Purchase Agreement: | Not applicable |
| | (iii) Stabilizing Manager (if any): | Not applicable |
| 39. | Name and address of Relevant Dealer: | Merrill Lynch International of Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom. |
| 40. | Name and address of Distributors/placers: | <p>The Notes will be publicly offered in Italy through the following institutions (the "Distribution Network", or the "Distributors" and each, a "Distributor") and managed and coordinated by MPS Finance Banca Mobiliare SpA, of Via Nino Bixio, 2, 53100, Siena , Republic of Italy (Offices: Viale Mazzini 23, 53100 Siena, Republic of Italy) (the "Distribution Manager") to both institutional and individual investors:</p> |

Banca Monte dei Paschi di Siena S.p.A.
Piazza Salimbeni
53100 Siena
Republic of Italy

Banca Toscana S.p.A.
Via Leone Pancaldo, 4
50100 Firenze
Republic of Italy

The Notes will not be underwritten by the Distributors. No undertakings have been made by third parties to guarantee the subscription of the Notes.

A prospective Noteholder should contact a Distributor prior to the end of the Offer Period. A prospective Noteholder will subscribe for Notes in accordance with the arrangements existing between the relevant Distributor and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Issuer related to the subscription for the Notes.

There are no pre-identified allotment criteria. The Distribution Manager will adopt allotment criteria that

ensure equal treatment of prospective investors.

For the avoidance of doubt, no dealings in the Notes may take place prior to the Issue Date.

41. Total commission:

The total commission to be paid is the sum of (i) the selling fee to be paid to the Distribution Network in connection with the Offer of between 0 per cent. and 4 per cent. (and expected to be 2.896 per cent.) of the aggregate principal amount of the Notes placed by the Distributors and (ii) the management fee to be paid to the Distribution Manager in connection with the Offer of between 0 per cent. and 1 per cent. (and expected to be 0.724 per cent.) of the aggregate principal amount of the Notes placed by the Distributors such fees to be payable on the Issue Date.

The Company does not intend to issue post-issuance information.

42. Additional selling restrictions:

To the extent that the offering of the Notes has not been registered with CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities laws and regulations (i.e. passported in the Republic of Italy pursuant to article 10/bis of CONSOB Regulation No.11971 of 14th May 1999, as amended), no Notes may be offered, sold or delivered, nor may copies of the Securities Note or of any other document relating to the Notes be distributed in the Republic of Italy, except:

i. to professional investors ("**operatori qualificati**"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or

ii. in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the "**Financial Services Act**") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Securities Note 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 and Legislative Decree No. 385 of 1st September, 1993 (the "**Banking Act**"), as amended; and

b. in compliance with Article 129 of the Banking Act

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 offer of securities in the Republic of Italy; and

c. in accordance with any other applicable laws and regulations.

PART B – OTHER INFORMATION

1. LISTINGS:

- (i) Listing: Application has been made for the Notes to be admitted to the Official List of the UK Listing Authority.
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market.
- No assurance can be given that either of such applications will be granted.

2. RATINGS

- Ratings: The Notes are to be issued under the Program which has been rated:
- Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc.: AA-/A-1+
- S&P: AA-/A-1+
- An obligation rated "AA" differs from the highest rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong. 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.
- 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, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
- Moody's Investors Service, Inc: Aa3
- Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk. 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.
- Fitch Ratings: AA-
- "AA" ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. "+" or "-" denotes relative status within major rating categories.
- The information regarding ratings above has been extracted from the website of Fitch ratings ("**Fitch**"),

Moody's Investors Service, Inc. ("**Moody's**") and Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") as applicable. The Company 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 Fitch, Moody's and S&P, no facts have been omitted which would render the reproduced inaccurate or misleading.

3. **NOTIFICATION**

Applicable. The UK Listing Authority has been requested to provide to the competent authority in Italy a certificate of approval attesting that the Registration Document and this Securities Note and Summary have been drawn up in accordance with the Prospectus Directive.

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER**

Save as discussed in "*Subscription and Sale*" incorporated by reference into this Securities Note and as discussed in the section of this Securities Note entitled "*Additional Risk Factors Relating to the Notes*", and so far as the Company is aware, no person involved in the offer of the Notes has an interest material to the offer.

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

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| (i) Reasons for the offer: | The Company intends to use the net proceeds from the sale of the Notes for its general corporate purposes. Such general corporate purposes may include the funding of investments in, or extensions of credit to, its subsidiaries, the funding of assets of the Company and its subsidiaries, the lengthening of the average maturity of the Company's borrowings, and the financing of acquisitions. Pending such applications, the net proceeds will be applied to the reduction of short-term indebtedness or temporarily invested. Management of the Company expects that it will, on a recurrent basis, engage in additional financings as the need arises to finance the growth of the Company, through acquisitions or otherwise, or to lengthen the average maturity of its borrowings. To the extent that Notes being purchased for resale by Merrill Lynch International are not resold, the aggregate proceeds available to the Company and its subsidiaries on a consolidated basis would be reduced. |
| (ii) Estimated net proceeds: | Up to EUR 70,000,000. For the avoidance of doubt, the estimated net proceeds reflect the proceeds to be received by the Company on the Issue Date. It is not a reflection of fees payable by/to either the Dealer or the Distributor, which are dealt with separately in Item 41 of Part A of these Final Terms. |
| (iii) Estimated total expenses: | GBP3,865. |

6. **YIELD**

The coupon payable, for the Fixed Interest Period only, on the Fixed Interest Date will accrue at a Fixed Rate equal to 4.00 per cent. per annum.

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

7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

A description of the Reference Basket (as defined in Appendix A (*Special Conditions*)) and certain historical information in respect of the Basket Components of the Reference Basket in relation to which interest payments will be calculated during each Interest Period is set out in Appendix B (*Information Regarding the Reference Basket*) hereto.

8. PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT

Not applicable

9. INFORMATION IN RESPECT OF PUBLIC OFFERS OF NOTES

The Notes will be offered to the public in the Republic of Italy in accordance with the arrangements listed below.

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| (i) | Arrangements for publication of final size of issue/offer: | A notice pursuant to UK Prospectus Rule 2.3.2(2) of the final aggregate principal amount of the Notes will be sent to the document viewing facility of the Financial Services Authority in the UK and published on or about the Issue Date in accordance with the method of publication set out in UK Prospectus Rule 3.2.4. A copy of the notice will also be filed with CONSOB in Italy. The Company does not intend to issue post-issuance information. |
| (ii) | Time period, including any possible amendments, during which the offer will be open: | From (and including) February 15, 2007 up to (and including) March 26, 2007 during the hours in which banks are generally open for business in Milan, Italy (the " Offer Period "). |
| (iii) | Description of the application process: | A prospective Noteholder should contact a Distributor prior to the end of the Offer Period. A prospective Noteholder will subscribe for the Notes in accordance with the arrangements existing between a Distributor and its customers relating to the subscription of securities generally (including any arrangements for the possibility of reducing subscriptions and refunding excess amounts, where applicable). Noteholders will not be required to enter into any contractual arrangements directly with the Company or the Dealer related to the subscription for the Notes. |
| (iv) | Details of the minimum/maximum amount of application (whether in numbers of securities or aggregate amount to invest): | The minimum investment amount is EUR 1,000. There are no other pre-identified allotment criteria. The Distribution Manager will adopt allotment criteria that ensure equal treatment of prospective investors. |
| (v) | Method and time limits for paying up the securities and for delivery of the securities: | The Notes will be sold on a delivery versus payment basis on the Issue Date. |
| (vi) | Full description of the manner and date in | As set forth under Item 9(i) of Part B (above) of these |

	which results of the offer are to be made to public:	Final Terms.
(vii)	Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure:	The Notes will be publicly offered through the Distribution Network, as defined herein, to institutional and individual investors in the Republic of Italy at 100.00 per cent. of their Aggregate Principal Amount.
(viii)	Process for notification to applicants of the amount of Notes allotted and indication whether dealing may begin before notification is made:	A prospective Noteholder should contact a Distributor prior to the end of the Offer Period. A prospective Noteholder will subscribe for Notes in accordance with the arrangements existing between a Distributor and its customers relating to the subscription of securities generally. Noteholders will not be required to enter into any contractual arrangements directly with the Company related to the subscription for the Notes. At the end of the Offer Period the Distributors will proceed to notify the prospective Noteholders as to the amount of their allotment. For the avoidance of doubt, no dealings in the Notes may take place prior to the Issue Date.
(ix)	Details of any tranche(s) reserved for specific country:	The Notes will be placed in the Republic of Italy through the Distribution Network.
(x)	Additional information applicable to the terms and conditions of the offer, if any:	Not applicable
10.	OPERATIONAL INFORMATION	
	ISIN Code:	XS0283304052
	Common Code:	028330405
	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	Not Applicable
	Delivery:	Delivery against payment
	Intended to be held in a manner which would allow Eurosystem eligibility:	Not Applicable
	Names and addresses of additional Paying Agent(s) if any:	Not Applicable
	Governing Law:	New York
	Additional investment considerations:	Applicable. See " <i>Additional Risk Factors Relating to the Notes</i> " in this Securities Note.

APPENDIX A SPECIAL CONDITIONS

1. DEFINITIONS

For the purposes of the Final Terms (including this Appendix A (Special Conditions), the section entitled "Additional Risk Factors Regarding to the Notes" set out in this Securities Note and the Terms and Conditions of the Notes set out in Appendix C (Terms and Conditions) (as amended by the Special Conditions set out in this Appendix A (Special Conditions)) the following terms shall have the following meanings:

"**Aluminium**" means high grade primary aluminium.

"**Barrier**" means 55% of the Reference Value of the relevant Commodity on the Strike Date.

"**Basket Component**" means each of the Basket Components set forth in the table appearing under the definition of Reference Basket herein and shall be deemed to include a reference to the applicable Futures Contract applicable to such Basket Component.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a day on which the TARGET System is open for business.

"**COMEX**" means The Comex Division of The New York Mercantile Exchange (NYMEX), or its successor.

"**Commodities**" means Crude Oil, Aluminium, Copper, Zinc, Nickel and Gold, each a "**Commodity**" and each as more fully described in Appendix B hereto.

"**Commodity Business Day**" means, with respect to each Basket Component, a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the relevant Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time.

"**Copper**" means copper-grade A.

"**Crude Oil**" means barrels of West Texas Intermediate light sweet crude oil traded on Nymex.

"**Cut-off Date**" means, in respect of each Basket Component, the fifth (5th) Commodity Business Day following the Scheduled Observation Date.

"**Exchange**" means (i) with respect to Crude Oil, the NYMEX, (ii) with respect to Aluminium, Copper, Zinc and Nickel, the LME and (iii) with respect to Gold, the COMEX.

"**FT.com**" means the Financial Times web page <http://news.ft.com/markets/commodities/daily>, or any successor page, produced by The Financial Times Ltd, or its successor.

"**Futures Contract**" means each of the Gold Future Contract and the WTI Future Contract.

"**Gold**" means gold bars and unallocated gold.

"**Gold Future Contract**" means, in respect of a Pricing Date the Gold Future Contract, traded on the relevant Exchange, which is as follows:

Pricing Date [month]	Gold Future Contract [month]
March	April
September	December

"**LME**" means The London Metal Exchange Limited or its successor.

"**Market Disruption Event**" means (A) in respect of each Commodity, any of Price Source Disruption, Trading Disruption, Disappearance of Reference Value, Material Change in Formula or Material Change in Content, each as

determined by the Calculation Agent, and for this purpose:

- (i) **"Price Source Disruption"** means (A) the failure of the relevant Price Source to publish or announce a Reference Value (or the information necessary for determining a Reference Value) or (B) the temporary or permanent discontinuance or unavailability of a Price Source;
- (ii) **"Trading Disruption"** means the material suspension of, or the material limitation imposed on, trading in the relevant Futures Contract or the relevant Basket Component on the relevant Exchange or in any additional futures contract, options contract or commodity on the relevant Exchange. For these purposes, (a) a suspension of the trading in the relevant Futures Contract or the relevant Basket Component on any Commodity Business Day shall be deemed to be material only if (i) all trading in the relevant Futures Contract or the relevant Basket Component is suspended for the entire Observation Date; or (ii) all trading in the relevant Futures Contract or the relevant Basket Component is suspended subsequent to the opening of trading on the Observation Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract or such Basket Component on such Observation Date and such suspension is announced less than one hour preceding its commencement; and (b) a limitation of trading in the relevant Futures Contract or the relevant Basket Component on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the relevant Futures Contract or the relevant Basket Component may fluctuate and the closing or settlement price of the relevant Futures Contract or the relevant Basket Component on such day is at the upper or lower limit of that range;
- (iii) **"Disappearance of Reference Value"** means (a) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange; (b) the disappearance of, or of trading in, the relevant Basket Component; or (c) the disappearance or permanent discontinuance or unavailability of a Reference Value, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity;
- (iv) **"Material Change in Formula"** means the occurrence since the Issue Date of the Notes of a material change in the formula for or method of calculating the Reference Value of a Basket Component; and
- (v) **"Material Change in Content"** means the occurrence since the Issue Date of the Notes of a material change in the content, composition or constitution of a Basket Component or relevant Futures Contract.

"Nickel" means primary nickel.

"NYMEX" means the New York Mercantile Exchange, Inc. and its subsidiary, Commodity Exchange, Inc. or its successor.

"Price Source" means, with respect to a Basket Component, the publication (or such other origin of reference, including an Exchange) containing or reporting the level or price specified in the relevant Reference Value.

"Pricing Date" means each of the Strike Date and the Observation Dates, as applicable.

"Reference Basket" means, subject as provided in this Appendix, the basket comprised of the commodities specified below (each a **"Basket Component"**):

<i>Basket Component</i>	<i>Bloomberg code</i>	<i>Reference Page</i>
Crude Oil - WTI Future Contract	Not Applicable	FT.com
Aluminium	LOAHDY<cmdty>	Bloomberg: LOAHDY<cmdty>
Copper	LOCADY<cmdty>	Bloomberg: LOCADY<cmdty>
Zinc	LOZSDY<cmdty>	Bloomberg: LOZSDY<cmdty>
Nickel	LONIDY<cmdty>	Bloomberg: LONIDY<cmdty>

Gold - Gold Future Contract

Not Applicable

FT.com

"Reference Page" means, with respect to a Basket Component, the reference page specified as such in respect of such Basket Component in the table set out in the definition of Reference Basket above (or such other successor web page or alternative source that is publicly available, as the Calculation Agent may, in its sole discretion, consider appropriate to replace that page for the purpose of displaying a level or price comparable to the relevant Reference Value);

"Reference Value" means with respect to the Pricing Date:

- (i) with respect to Crude Oil, the specified closing settlement price of the relevant WTI Future Contract, stated in U.S. dollars, published by the relevant Exchange on the relevant Reference Page on the relevant date;
- (ii) with respect to Aluminium, the official fixing price per tonne of Aluminium on the relevant Exchange, stated in U.S. Dollars, as determined by the relevant Exchange and displayed on the relevant Reference Page on the relevant date;
- (iii) with respect to Copper, the official fixing price per tonne of Copper on the relevant Exchange, stated in U.S. Dollars, as determined by the relevant Exchange and displayed on the relevant Reference Page on the relevant date;
- (iv) with respect to Zinc, the official fixing price per tonne of Zinc on the relevant Exchange, stated in U.S. Dollars, as determined by the relevant Exchange and displayed on the relevant Reference Page on the relevant date;
- (v) with respect to Nickel, the official fixing price per tonne of Nickel on the relevant Exchange, stated in U.S. Dollars, as determined by the relevant Exchange and displayed on the relevant Reference Page on the relevant date; and
- (vi) with respect to Gold, the specified closing settlement price of the relevant Gold Future Contract stated in U.S. Dollars and published by the relevant Exchange on the relevant Reference Page on the relevant date.

"Scheduled Observation Date(s)" means 16 March and 16 September falling in each Observation Period, subject to adjustment in accordance with Following Business Day Convention.

"Strike Date" means March 30, 2007, subject to adjustment in accordance with the Following Business Day Convention.

"Observation Date" means either (a) the Scheduled Observation Date; or (b) if the Scheduled Observation Date is not a Commodity Business Day with respect to a Basket Component, the next succeeding Commodity Business Day for that Basket Component only, provided that the Observation Date shall be no later than the Cut-off Date, and provided further that if a Market Disruption Event has occurred and is continuing on any day which would, in the absence of such a Market Disruption Event, have been the Observation Date, then the Observation Date with respect to such Basket Component shall be the first succeeding Commodity Business Day with respect to such Basket Component on which there is no Market Disruption Event with respect to the relevant Basket Component, unless each Commodity Business Day from and including the Scheduled Observation Date to and including the Cut-off Date is a day on which a Market Disruption Event occurs. In that case, (i) the Cut-off Date shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a day on which a Market Disruption Event occurs, and (ii) the Calculation Agent shall determine the Reference Value by determining the latest available level for the Reference Value (or, if a Market Disruption Event has occurred on the Cut-off Date, its good faith estimate of the Reference Value taking into consideration all available information that in good faith it deems relevant).

"Observation Period" means the period from (and including) 31 March 2008 to (but excluding) the first Interest Payment Date, and each period thereafter from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date.

"WTI Future Contract" means, in respect of a Pricing Date the WTI future contract, traded on the relevant exchange, the last trading date of which is the first to occur after that relevant Pricing Date.

"Zinc" means special high grade zinc.

2. SPECIAL CONDITIONS

2.1 Determination of Variable Coupon Amount

Each Note of a Specified Denomination shall bear interest (the "**Rate of Interest**") on its principal amount for each Interest Period and such interest will be payable (the "**Variable Coupon Amount**") in arrear on each Interest Payment Date as determined by the Calculation Agent in accordance with the following provisions and the resultant figure shall be calculated as a percentage:

- (a) if the Calculation Agent determines that on each Observation Date falling in the relevant Observation Period commencing on the first day of the relevant Interest Period of:

The Reference Value of Crude Oil is greater than the Barrier; and

The Reference Value of Aluminium is greater than the Barrier; and

The Reference Value of Copper is greater than the Barrier; and

The Reference Value of Zinc is greater than the Barrier; and

The Reference Value of Nickel is greater than the Barrier; and

The Reference Value of Gold is greater than the Barrier.

the Rate of Interest shall be 6% per annum; **or**

- (b) in any other case, the Rate of Interest shall be 1% per annum.

2.2 Price Source Corrections

In the event that any level or price with respect to a Basket Component as published by the relevant Price Source which is used for any calculation or determination in respect of the Notes is subsequently corrected and the correction published by the relevant Price Source no later than the second (2) Business Day prior to the Maturity Date, the Calculation Agent may, but is not obliged to, make adjustments to the Variable Fixed Coupon Amount that it determines to account for such determination.

2.3 Successor Price Sources

If any level or price with respect to a Basket Component is (i) not calculated and announced by the relevant Price Source but is calculated and announced by a successor source acceptable to the Calculation Agent, or (ii) replaced by a successor publication using, in the determination of the Calculation Agent, the same or substantially similar formula for the method of calculation as used in the calculation of the relevant Basket Components then the relevant level or price will be deemed to be the level or price so calculated and announced by that successor or that successor publication, as the case may be.

2.4 Redemption for Regulatory Reasons

The Company may, at any time, on not less than 10 Business Days irrevocable notice to the Noteholders in accordance with Condition 15, redeem all, but not some only, of the Notes in the event that a change in applicable law or regulation occurs that results, or will result, solely by reason of the Notes being outstanding, in the Company being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Company to be materially onerous to it (each such change, a "**Regulatory Redemption Event**"). The Company will redeem the Notes at the Early Redemption Amount on the date specified in such notice, being a date falling not more than 10 clear Business Days after the date that such notice is given.

2.5 Redemption for Illegality

In the event that the Calculation Agent determines that the performance of the Company's obligations under the Notes or that any arrangements to made to hedge the Company's position under the Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, (such event or circumstance being an "**Illegality Event**", the Company may, having given not more than 30 nor less than 5 days' notice to Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem all, but not some only, of the Notes, each EUR 1,000 in nominal amount of the Notes being redeemed at the Early Redemption Amount.

APPENDIX B

INFORMATION REGARDING THE REFERENCE BASKET

The information contained in this Appendix relating to each of the Basket Components consists of extracts from, or summaries of, publicly available information. The Company confirms that such information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Neither the Company nor the Manager accepts any further responsibility in respect of such information. See the disclaimer language set forth under the description of each Basket Component for important information regarding the information set forth herein.

1. WTI CRUDE OIL

1.1 General Description

Crude oil is the world's most actively traded commodity, and the NYMEX Division light, sweet crude oil futures contract is the world's most liquid forum for crude oil trading, as well as the world's largest-volume futures contract trading on a physical commodity. Because of its excellent liquidity and price transparency, the contract is used as a principal international pricing benchmark. Additional risk management and trading opportunities are offered through options on the futures contract; calendar spread options; crack spread options on the pricing differential of heating oil futures and crude oil futures and gasoline futures and crude oil futures; and average price options.

Source: www.nymex.com

Please note that an investment in the Notes does not entitle investors to any ownership interest, either directly or indirectly, in any traded NYMEX Division light, sweet crude oil futures contract on the Exchange.

1.2 Historical Data

	<i>High</i> (US\$/bbl)	<i>Low</i> (US\$/bbl)
2004	55.17	32.48
2005	69.81	42.12
2006	77.03	55.81
July 2006	77.03	72.66
August 2006	76.98	69.71
September 2006	69.19	60.46
October 2006	61.4	56.82
November 2006	63.13	55.81
December 2006	63.72	60.34

**WTI light sweet crude oil
closing price
(US\$/bbl)**

January 10, 2007

54.02

Source: FT.com

1.3 Disclaimer

The Notes are not approved, endorsed, sold, or promoted by NYMEX and NYMEX makes no representation or warranty, express or implied, to any parties interested in any way in this Note or any members of the public regarding the advisability of participating in investments generally, and in particular, the Notes.

NYMEX is not responsible for, and has not participated in, the determination of the terms of the Notes, and further NYMEX has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

2. ALUMINIUM

2.1 General Description

Aluminium is the most heavily produced and consumed non-ferrous metal in the world. Its low density and malleability has been recognised and championed by the industrial world. Aluminium has many diverse application, ranging from beverage cans to cars. In 2001, world primary refined production alone totalled over 24 million tonnes. The total turnover for LME primary aluminium futures and options in 2001 was over 25 million lots (625 million tonnes). The underlying assumption of physical delivery is acknowledged as a major factor in the credibility of the official price set on the LME. Consequently trading of LME aluminium has increased steadily since the contract's introduction in 1987 so that the LME has the most liquid aluminium contracts in the world.

Source: www.lme.com

Information in respect of the historical prices can be found at Bloomberg page LOAHDY<cmdty>.

2.2 Historical Data

Recent and Historical closing price

	<i>High</i>	<i>Low</i>
2004	1964	1575
2005	2289	1675
2006	3275	2267
July 2006	2886	2367.5
August 2006	2522.5	2416
September 2006	2614	2367.5
October 2006	2845	2480
November 2006	2792	2600
December 2006	2886	2761

Aluminium closing price (U.S.\$)

January 10, 2007

2745

Source: Bloomberg

2.3 Disclaimer

The Notes are not approved, endorsed, sold, or promoted by the LME and the LME makes no representation or warranty, express or implied, to any parties interested in any way in this Note or any members of the public regarding the advisability of participating in investments generally, and in particular, the Notes. The LME is not responsible for, and has not participated in, the determination of the terms of the Notes, and further the LME has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

3. COPPER

3.1 General Description

One of the 'original' metals, copper shared an era of history with tin as a fundamental component of the Bronze Age. However, its primary properties in modern-times are its electrical conductivity and heat-transfer abilities making it invaluable for use in the building construction and electrical industries. Copper's malleability, strength and corrosion resistant qualities also make it an excellent alloying agent for the production of intricate shapes – particularly in brass and bronze. This alloying factor made copper one of the most important industrial metals of the 19th century and it naturally became the flagship contract of the LME when it was established in 1877. The copper industry was quick to recognise the LME as its international pricing mechanism. This role is still fundamental to the ongoing success of the LME copper contract. LME futures, traded options and traded average price options (TAPOs) contracts provide the optimum combination of physical contract and risk management mechanisms for today's industry members, whereby sale and purchase contracts can be hedged to an advantage. Today some 94% of all copper futures trading is carried out on the LME.

Source: www.lme.com

Information in respect of the historical prices can be found at Bloomberg page LOCADY<cmdty>.

3.2 Historical Data

Recent and Historical closing price

	High	Low
2004	3287	2337
2005	4650	3072
2006	8788	4537
July 2006	8233	7261
August 2006	8070	7421
September 2006	7980	7230
October 2006	7740	7250.5
November 2006	7396	6671
December 2006	7049	6290
Copper closing price		
(U.S.\$)		
January 10, 2007	5715	

Source: Bloomberg

3.3 Disclaimer

The Notes are not approved, endorsed, sold, or promoted by the LME and the LME makes no representation or warranty, express or implied, to any parties interested in any way in the Notes or any members of the public regarding the advisability of participating in investments generally, and in particular, the Notes, and further the LME has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

ZINC

3.4 General Description

Zinc is the fourth most widely used metal in the world. Its resistance to non-acidic atmospheric corrosion means that zinc is instrumental in prolonging the life of buildings, vehicles, ships and steel goods and structures of every kind. Accordingly, galvanising accounts for more than half of all present day applications of metal, and this figure is increasing. Zinc was traded unofficially on the LME from the outset when the Exchange was established in 1877 and became an official contract in 1915. The LME is the only international exchange to trade zinc and by the 1980s the volume of contracts traded on the LME led the international zinc industry to recognise the Exchange as the reference point for pricing physical contracts. With this development the Exchange became an even more appropriate venue for metal price risk management, a fact clearly reflected by a major growth in turnover.

Source: www.lme.com

Information in respect of the historical prices can be found at Bloomberg page LOZSDY<cmdty>.

3.5 Historical Data

Recent and Historical closing price per troy ounce of Zinc

	High	Low
	\$/MT	\$/MT
2004	1270.00	943.00
2005	1915.00	1165.00
2006	4619.50	1912.00
July 2006	3590.50	3125.50
August 2006	3450.00	3215.00
September 2006	3671.50	3215.00
October 2006	4289.50	3369.50
November 2006	4619.50	4110.00
December 2006	4600.00	4230.00
	Zinc closing price	
	(U.S.\$/MT)	
January 10, 2007	3670.50	

Source: Bloomberg

3.6 Disclaimer

The Notes are not approved, endorsed, sold, or promoted by the LME and the LME makes no representation or warranty, express or implied, to any parties interested in any way in this Note or any members of the public regarding the advisability of participating in investments generally, and in particular, the Notes. The LME is not responsible for, and has not participated in, the determination of the terms of the Notes, and further the LME has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

4. NICKEL

4.1 General Description

As an alloying metal, the uses of nickel are extraordinarily diverse. Its high melting point and resistance to corrosion have provided a wide scope for the metal's development. Early in the twentieth century, it was discovered that by combining nickel with steel, even in small quantities, the durability of the steel increased significantly with regards to corrosion resistance and strength. This partnership has endured and the steel industry is now the single largest consumer of nickel today.

With the introduction of nickel trading to the LME in 1979, the Exchange's coverage of all major non-ferrous metals was complete. The LME is acknowledged as the principal pricing mechanism for nickel producers and consumers worldwide and is the only exchange in the world to provide facilities for the industry to hedge sales and purchases.

Source: www.lme.com

Information in respect of the historical prices can be found at Bloomberg page LONIDY<cmdty>.

4.2 Historical Data

Recent and Historical closing price per troy ounce of Nickel

	<i>High</i> \$/MT	<i>Low</i> \$/MT
2004	17770.00	10530.00
2005	17750.00	11500.00
2006	35455.00	13505.00
July 2006	29850.00	22690.00
August 2006	34750.00	27600.00
September 2006	32250.00	27500.00
October 2006	34500.00	30700.00
November 2006	34705.00	29995.00
December 2006	35455.00	32700.00
	<i>Nickel closing price</i> <i>(U.S.\$/MT)</i>	
January 10, 2007	32900.00	

Source: Bloomberg

4.3 Disclaimer

The Notes are not approved, endorsed, sold, or promoted by the LME and the LME makes no representation or warranty, express or implied, to any parties interested in any way in this Note or any members of the public regarding the advisability of participating in investments generally, and in particular, the Notes. The LME is not responsible for, and has not participated in, the determination of the terms of the Notes, and further the LME has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

5. GOLD

5.1 General Description

Gold is a vital industrial commodity. It is an excellent conductor of electricity, is extremely resistant to corrosion, and is one of the most chemically stable of the elements, making it critically important in electronics and other high-tech applications. A broad cross-section of companies in the gold industry, from mining companies to fabricators of finished products, can use the COMEX Division gold futures and options contracts to hedge their price risk. Furthermore, gold has traditionally had a role in investment strategies, and gold futures and options can be found in investors' portfolios.

Source: www.nymex.com

5.2 Historical Data

Recent and Historical closing price per troy ounce of Gold

	<i>High</i>	<i>Low</i>
	<i>\$/oz</i>	<i>\$/oz</i>
2004	456	374.9
2005	528.4	412.6
2006	721.5	527.8
July 2006	668	613.2
August 2006	651.6	610.7
September 2006	640	577.5
October 2006	607.4	562
November 2006	646.9	618.3
December 2006	645.2	614
	<i>Gold closing price</i>	
	<i>(U.S.\$/oz)</i>	
January 10, 2007	613.4	

Source: *FT.com*

5.3 Disclaimer

The Notes are not approved, endorsed, sold, or promoted by NYMEX and NYMEX makes no representation or warranty, express or implied, to any parties interested in any way in this Note or any members of the public regarding the advisability of participating in investments generally, and in particular, the Notes. NYMEX is not responsible for, and has not participated in, the determination of the terms of the Notes, and further NYMEX has no obligation or liability in connection with the administration, marketing, or trading of the Notes.

The delivery of this Securities Note does not imply any representation on the part of the Company, the Calculation Agent or Merrill Lynch International or any other person that any such information is correct.

APPENDIX C

TERMS AND CONDITIONS

The following are the Terms and Conditions of Notes issued in connection with the Base Prospectus and further documented by the applicable Final Terms relating to a particular Tranche of Notes, and which (subject to completion and minor amendment) will be attached to or incorporated by reference into each global Note and which will be endorsed on each definitive Note. Unless otherwise provided in the applicable Final Terms, Condition 18 will be applicable to all Registered Notes, including Registered Short-term Notes. The applicable Final Terms in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The Registration Document relating to the Program and applicable Securities Note (the "Securities Note") or Prospectus, relating to a particular Tranche of Notes may also be used in connection with the issue of Notes under the Program and such applicable Securities Note or Prospectus (as the case may be) may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. To the extent that Notes are issued pursuant to a Securities Note, references in the following Terms and Conditions to the "Final Terms" shall be read as references to the "Securities Note" in respect of such Tranche of Notes, and all such references shall be construed accordingly.

This Note is one of a Series (as defined below) of notes (the "Notes", which expression shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the specified currency of the relevant Notes, (ii) definitive Notes issued in exchange (or partial exchange) for a permanent global Note, and (iii) any global Note) issued subject to, and with the benefit of, an Amended and Restated Agency Agreement, dated May 10, 2006 (as the same may be amended or supplemented from time to time in accordance with the terms thereof, the "Agency Agreement"), among the Company, Deutsche Bank AG, London Branch, as issuing agent and principal paying agent and, if so specified in the applicable Final Terms, calculation agent (the "Agent", which expression shall include any successor to Deutsche Bank AG, London Branch, in such capacities) and the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents).

Interest-bearing definitive Bearer Notes will (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments will have receipts ("Receipts") for the payment of the installments of principal (other than the final installment) attached on issue.

As used herein, "Series" means all Notes which are denominated in the same currency and which have the same Maturity Date or Redemption Month, as the case may be, Interest/Payment Basis and interest payment dates (if any) (all as indicated in the applicable Final Terms) and the terms of which (except for the Issue Date or the Interest Commencement Date (as the case may be) and/or the Issue Price (as indicated as aforesaid)) are otherwise identical (including whether or not the Notes are listed) and the expressions "Notes of the relevant Series" and "holders of Notes of the relevant Series" and related expressions shall be construed accordingly. As used herein, "Tranche" means all Notes of the same Series with the same Issue Date.

The Final Terms applicable to this Note is attached hereto or endorsed hereon. Such Final Terms supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the "applicable Final Terms" shall mean the Wholesale Final Terms and/or the Retail Final Terms (as the case may be) attached hereto or endorsed hereon.

Copies of the Agency Agreement (which contains the forms of the final terms, the temporary global, permanent global and definitive Notes) and the Program Agreement, in each case relating to the Program, will be available for inspection during normal office hours at the office of the Agent in London, England and the principal office of the

Company and, for so long as any Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission and/or listed on the official list of the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg. The Base Prospectus and the Final Terms applicable to this Note are available for collection without charge during normal office hours, at the office of the Paying Agent in Luxembourg, the principal office of the Agent in London, England and the principal office of the Company, except that, if this Note is an unlisted Note of any Series (neither listed on a stock exchange nor admitted to trading on any market), the applicable Final Terms will only be available for inspection by a holder of the Notes holding one or more unlisted Notes of that Series and such holder of Notes must produce evidence satisfactory to the relevant Paying Agent as to its holding of Notes and to identity. The holders of the Notes (the "Noteholders"), which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1, the holders of the Coupons (the "Couponholders") and the holders of Receipts (the "Receipholders") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms, which are applicable to them.

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

1. Form and Title

The Notes will be issued in either bearer form (the "Bearer Notes") or registered form (the "Registered Notes", which term includes Registered Short-term Notes) as specified in the applicable Final Terms.

Bearer Notes (other than Registered Notes, which term includes Notes with maturities of seven days or more but less than 184 days from (but not including) the Issue Date which have denominations of less than U.S.\$500,000 (or the equivalent in other currencies) (the "Registered Short-term Notes")) of this Series are deposited on or prior to the relevant Issue Date (i) if the Notes are issued in New Global Note ("NGN") form, as specified in the applicable Final Terms, with a common safe keeper (the "Common Safekeeper") and (ii) if the Notes are issued in classic global note ("CGN") form, as specified in the applicable Final Terms, with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and, in the case of definitive Notes, are serially numbered in the Specified Currency and in the Specified Denomination(s). Bearer Notes or interests in Bearer Notes shall not be exchangeable for Registered Notes or interests in Registered Notes, as applicable. Unless specified otherwise in the applicable Final Terms, the Notes will be issued in NGN form.

Registered Notes of this Series are registered in the name of a nominee for, and deposited on the relevant Issue Date with, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Registered Short-term Notes are issued in registered form only. Registered Notes or interests in Registered Notes shall not be exchangeable for Bearer Notes or interests in Bearer Notes, as applicable. Deutsche Bank Luxembourg S.A. is the registrar and transfer agent (the "Registrar") with respect to Registered Notes and is authorized on behalf of the Company to register Registered Notes for each Series and transfers of any definitive Registered Notes in a register (the "Register"). The Company may appoint alternative registrars and transfer agents pursuant to the Agency Agreement and specified in the applicable Final Terms; provided, however, that for so long as any definitive Registered Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission and/or listed on the official list of the Luxembourg Stock Exchange and the rules so require, a transfer agent will be in Luxembourg.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Note, an Installment Note, a Partly Paid Note, a Credit Linked Note, an Indexed Note or an Equity Linked Note or any appropriate combination thereof, depending upon the Interest/Payment Basis specified in the applicable Final Terms, and the appropriate provisions of these Terms and Conditions will apply accordingly.

Bearer Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to interest (other than interest due after the Maturity Date), Coupons and Couponholders in these Terms and Conditions are not applicable.

Except as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. The Company and any Paying Agent may deem and treat the bearer of any Bearer Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Bearer Note, without prejudice to the provisions set out below.

Title to the Registered Notes will pass by registration in the Register (as defined below) which is kept by the Registrar in accordance with the provisions of the Agency Agreement. The Company, the Registrar and any Paying Agent may deem and treat the person in whose name any Registered Note is registered in the Register as the absolute owner thereof for all purposes but, in the case of any global Registered Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Company, the Agent and any other Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the Company, the Agent and any other Paying Agent solely in (i) the bearer of the relevant global Bearer Note, and (ii) the Person in whose name the global Registered Note is registered in the Register, each in accordance with and subject to the Terms and Conditions (and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

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

2. Status of Notes

The Notes constitute direct, unsecured, unsubordinated and general obligations of the Company and will, save for such exceptions as may be provided by applicable legislation or judicial order, rank *pari passu* with all other unsecured and unsubordinated indebtedness of the Company.

3. Interest

In this Condition 3, "Business Day" means (unless otherwise provided in the applicable Final Terms) a day which is both:

- (A) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to Notes denominated or payable in a Specified Currency other than euro, 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 dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than London) or (2) in relation to Notes denominated or payable in euro, a day on which the TARGET System (as defined below) is open (a "TARGET Day"). "TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto. Unless otherwise provided in the applicable Final Terms, the principal financial center of any country for the purpose of these Terms and Conditions shall be as provided in the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the

Notes (the "ISDA Definitions"), except that the principal financial center of Australia shall be Melbourne and Sydney, the principal financial center of Canada shall be Toronto and the principal financial center of New Zealand shall be Wellington.

(a) Interest on Fixed Rate Notes

- (i) Each Fixed Rate Note bears interest on its principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the applicable Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest specified in the applicable Final Terms payable in arrear on the Fixed Interest Date(s) in each year up to and including the Maturity Date so specified if it does not fall on a Fixed Interest Date. If a Fixed Coupon Amount is specified in the applicable Final Terms, the amount of interest payable on each Fixed Interest Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount as so specified irrespective of any calculation based on the Fixed Rate(s) of Interest and any applicable Fixed Day Count Fraction (if any). The first payment of interest shall be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount specified in the applicable Final Terms. If the Maturity Date is not a Fixed Interest Date, interest from (and including) the preceding Fixed Interest Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount specified in the applicable Final Terms.

Interest shall be paid, with respect to Fixed Rate Notes in definitive bearer form, against surrender of the appropriate Coupons, subject to and in accordance with the provisions of Condition 5.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Unless otherwise indicated in the applicable Final Terms, "Fixed Day Count Fraction" means:

- (1) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year;
- (2) if "30/360" is specified in the applicable Final Terms, the number of days in the relevant period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;
- (3) if "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the Accrual Period divided by 365 (or, if any portion of that Accrual Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Accrual Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Accrual Period falling in a non-leap year divided by 365); and
- (4) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Accrual Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Accrual Period unless, in the case of an Accrual Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

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

"Fixed Interest Period" means the period from (and including) a Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Fixed Interest Date.

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

(b) Interest on Floating Rate Notes, Indexed Notes, Equity Linked Notes and Credit Linked Notes

(i) *Interest Payment Dates*

Each Floating Rate Note and, if so specified in the applicable Final Terms, each Indexed Note, Equity Linked Note and Credit Linked Note bears interest on its principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the applicable Final Terms and such interest will be payable in arrear on each interest payment date specified in the applicable Final Terms (each an "Interest Payment Date") or, if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (an "Interest Payment Date") which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). If any Interest Payment Date (or other date) which is specified in the applicable Final Terms to be subject to adjustment in accordance with a business day convention (a "Business Day Convention") would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) the Floating Rate Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (B) if the Interest Period is specified as a whole number of months, each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months specified as the Interest Period in the applicable Final Terms after the preceding applicable Interest Payment Date (or other date) occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

(ii) *Interest payments*

Interest will be paid, with respect to Floating Rate Notes, Indexed Notes, Equity Linked Notes and Credit Linked Notes, as applicable, in definitive bearer form, against surrender of the appropriate Coupons, subject to and in accordance with the provisions of Condition 5.

(iii) *Rate of Interest*

The Rate of Interest payable from time to time with respect to each Series of Floating Rate Notes, Indexed Notes, Equity Linked Notes and Credit Linked Notes, as applicable, shall be determined in the manner specified in the applicable Final Terms:

(A) **ISDA Determination for Floating Rate Notes**

If the applicable Final Terms specifies that this Condition 3(b)(iii)(A) shall apply, the Rate of Interest for each Interest Period shall be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap

transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is that period specified in the applicable Final Terms;
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), (x) "Euro-zone" means the region comprised of member states of the European Union ("Member States") that adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam and (y) the definitions of "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the respective meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

If the applicable Final Terms specifies that this Condition 3(b)(iii)(B) applies:

- (1) the Rate of Interest for each Interest Period shall, subject as provided below, be either:
 - I the quotation; or
 - II. the arithmetic mean (rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum), for the Reference Rate or Rates (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time) in the case of LIBOR or 11:00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date (as defined below) in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, only one of such rates) and the lowest (or, if there is more than one such lowest rate, only one of such rates) shall be disregarded by the Agent for the purposes of determining the arithmetic mean (rounded as provided above) of such offered quotations;
- (2) if, in the case of (I) above, no such rate appears or, in the case of (II) above, fewer than two of such offered rates appear at such time or if the offered rate or rates which appears or appear, as the case may be, as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall, subject as provided below, be the arithmetic mean (rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards) of the quotations for deposits in the Specified Currency for that Interest Period (expressed as a percentage rate per annum) of which the Agent is advised by, if the Reference Rate is LIBOR, the London offices or, if the Reference Rate is EURIBOR, the principal Euro-zone offices, of four leading banks engaged in the inter-bank market (the "Reference Banks"), if the Reference Rate is LIBOR, as at 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, as at 11:00 a.m. (Brussels time) on the Interest Determination Date plus or minus (as appropriate) the Margin (if any), all as determined by the Agent;
- (3) if on any Interest Determination Date to which this Condition 3(b)(iii)(B) applies, only two or three of the Reference Banks advise the Agent of such offered quotations, the Rate of Interest for such Interest Period shall, subject as provided below, be determined as in Condition 3(b)(iii)(B) on the basis of the rates of those Reference Banks advising such offered quotations;

- (4) if on any Interest Determination Date to which this Condition 3(b)(iii)(B) applies only one or none of the Reference Banks advises the Agent of such quotations, the Rate of Interest for such Interest Period shall, subject as provided below, be whichever is the higher of:
- I. the Rate of Interest in effect for the last preceding Interest Period to which Condition 3(b)(iii)(B) shall have applied (plus or minus (as appropriate), where a different Margin is to be applied to the next Interest Period to that which applied to the last preceding Interest Period, the Margin relating to that last preceding Interest Period, plus or minus (as appropriate) the Margin for the next Interest Period); and
 - II. the reserve interest rate which shall be the rate per annum which the Agent determines to be either (x) the arithmetic mean (rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards) of the lending rates for the Specified Currency which leading banks selected by the Agent in the principal financial center of the country of the Specified Currency or, in the case of Notes payable in euro, in the Euro-zone, are quoting on the relevant Interest Determination Date for the next Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Agent, being so made plus or minus (as appropriate) the Margin (if any), or (y) in the event that the Agent can determine no such arithmetic mean, the lowest lending rate for the Specified Currency which leading banks selected by the Agent in the principal financial center of the country of the Specified Currency or, in the case of Notes payable in euro, in the Euro-zone, are quoting on such Interest Determination Date to leading European banks for the next Interest Period plus or minus (as appropriate) the Margin (if any), provided that if the banks selected as aforesaid by the Agent are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (I) above;
- (5) "Relevant Screen Page" means such page, whatever its designation, on the Reuters Monitor Money Rates Service, or Moneyline Telerate, or any successor service or such other service, as specified in the applicable Final Terms, on which, if the Reference Rate is LIBOR, London inter-bank offered rates or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank offered rates, in each case for deposits in the Specified Currency of prime banks, are for the time being displayed;
- (6) "Interest Determination Date" means, unless otherwise specified in the applicable Final Terms, (x) other than in the case of Condition 3(b)(iii)(B)(4), with respect to Notes denominated in any Specified Currency other than Sterling, the second Banking Day in London prior to the commencement of the relevant Interest Period and, in the case of Condition 3(b)(iii)(B)(4), the second Banking Day in the principal financial center of the country of the Specified Currency prior to the commencement of the relevant Interest Period and (y) with respect to Notes denominated in Sterling, the first Banking Day in London of the relevant Interest Period;
- (7) "Banking Day" means, in respect of any place, any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in that place or, as the case may be, as indicated in the applicable Final Terms;
- (8) if the Reference Rate from time to time in respect of Floating Rate Notes, Indexed Notes, Equity Linked Notes or Credit Linked Notes is specified as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms; and
- (9) "Euro-zone" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Communities as amended by the Treaty on European Union and the Treaty of Amsterdam.
- (iv) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a "Minimum Rate of Interest" for any Interest Period, then in no event shall the Rate of Interest for such period calculated in accordance with Condition 3(b)(iii) above be less than such Minimum Rate of Interest. If the applicable Final Terms specifies a "Maximum Rate of Interest" for any Interest Period, then in no event shall the Rate of Interest for such Interest Period be greater than such Maximum Rate of Interest. If no other Minimum Rate of Interest for any Interest Period is specified in the applicable Final Terms, then the Minimum Rate of Interest in respect of such Interest Period shall be deemed to be zero and in no event shall the Rate of Interest for such period calculated in accordance with Condition 3(b)(iii) above be less than zero.

(v) *Determination of Rate of Interest and calculation of Interest Amount*

The Agent will, on or as soon as practicable after, if the Reference Rate is LIBOR, 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, 11:00 a.m. (Brussels time) (or, if appropriate, such other time as is customary in the principal financial center of the country of the Specified Currency) on each Interest Determination Date, determine the Rate of Interest (subject to any Minimum or Maximum Rate of Interest specified in the applicable Final Terms) and calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes with respect to each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

- (1) if "Actual/365", "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (2) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (3) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (5) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (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 30-day month)); and
- (6) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number

of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(vi) *Notification of Rate of Interest and Interest Amount*

The Agent will promptly notify the Company and any stock exchange and/or market on or by which the relevant Floating Rate Notes, Indexed Notes, Equity Linked Notes or Credit Linked Notes are for the time being listed and/or admitted to trading, of the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date, and will cause the same to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without publication as aforesaid in the event of an extension or shortening of the Interest Period in accordance with the provisions hereof. Each stock exchange and/or market on or by which the relevant Floating Rate Notes, Indexed Notes, Equity Linked Notes or Credit Linked Notes are for the time being listed and/or admitted to trading shall be promptly notified of any such amendment. For the purposes of this subparagraph (vi), the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

(vii) *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 3(b), by the Agent, shall (in the absence of manifest error) be binding on the Company, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(viii) *Limitations on Interest*

In addition to any Maximum Rate of Interest which may be applicable to any Floating Rate Note, Indexed Note, Equity Linked Note or Credit Linked Note pursuant to Condition 3(b)(iv) above, the interest rate on Floating Rate Notes, Indexed Notes, Equity Linked Notes or Credit Linked Notes shall in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application. Under present New York law, the maximum rate of interest is 25 per cent. per annum on a simple interest basis. This limit may not apply to the Notes in which U.S.\$2,500,000 (or its equivalent in other currencies calculated as described herein) or more has been invested. While the Company believes that New York law would be given effect by a state or federal court sitting outside of New York, state laws frequently regulate the amount of interest that may be charged to and paid by a borrower (including, in some cases, corporate borrowers).

(c) **Interest on Dual Currency Notes**

In the case of Dual Currency Notes, if the Rate of Interest or amount of interest is to be determined by reference to an index and/or a formula or, as the case may be, an exchange rate, such rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) Zero Coupon Notes

When a Zero Coupon Note becomes due and repayable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the Amortized Face Amount of such Note as determined in accordance with Condition 4(f)(iii). As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield set forth in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed or on such other calculation basis as may be specified in the applicable Final Terms.

(e) Indexed Notes

The provisions relating to the terms of any Notes that have the payment of principal, interest or both, indexed to the value of any commodity, fund, equity share, foreign exchange rate, index or any other rate, asset or index, or a basket including one or more or a hybrid of the foregoing (each a "Indexed Note") will be set in the applicable Final Terms. Such provisions may include a description of the formula for determining how payments of principal, interest or both on any Indexed Notes will be calculated and any additional information necessary to provide for determining the amount and timing of any such payments, including, without limitation, such additional definitions and provisions as will be applicable to the particular series of Indexed Notes. The Final Terms relating to any series of Index Notes may include any required description of the particular commodity, fund, equity share, foreign exchange rate, index or any other rate, asset or index as to which such series is indexed, including any required disclosure of historical information. If any source of information for determining how payments of principal, interest or both on any Indexed Notes is not available, then the Calculation Agent shall make such calculations, as may be required from time to time, to determine any amounts to be made in respect of principal, interest or both relating to any series of Index Notes.

(f) Equity Linked Notes

The provisions relating to the terms of any Notes that have the payment of principal, interest or both, linked to the value of any equity share or a basket of equity shares (each, an "Equity Linked Note") will be set out in the applicable Final Terms. Such provisions may include a description of the formula for determining how payments of principal, interest or both on any series of Equity Linked Notes will be calculated and any additional information necessary to provide for determining the amount and timing of any such payments, including, without limitation, such additional definitions and provisions as will be applicable to the particular series of Equity Linked Notes. The Final Terms relating to any series of Equity Linked Notes may include any required description of the particular equity share or basket of equity shares, as the case may be, as to which such series is linked, including any required disclosure of historical information. If any source of information for determining how payments of principal, interest or both on any Equity Linked Notes is not available, then the Calculation Agent shall make such calculations, as may be required from time to time, to determine any amounts to be made in respect of principal, interest or both relating to any series of Equity Linked Notes.

(g) Credit Linked Notes

The provisions relating to the terms of any Notes that have the payment of principal, interest or both, linked to the credit of a particular reference entity or basket of reference entities (each, a "Credit Linked Note") will be set out in the applicable Final Terms. Such provisions may include a description of the formula for determining how payments of principal interest or both on any series of Credit Linked Notes will be calculated and any additional information necessary to provide for determining the amount and timing of any such payments, including, without limitation, such additional definitions and provisions as will be applicable to the particular series of Credit Linked Notes. The Final Terms relating to any series of Credit

Linked Notes may include any required description of the particular reference entity or basket of reference entities as to which such series is linked, including any required disclosure of historical information. If any source of information for determining how payments of principal, interest or both on any Credit Linked Notes is not available, then the Calculation Agent shall make such calculations, as may be required from time to time, to determine any amounts to be made in respect of principal, interest or both relating to any series of Credit Linked Notes.

(h) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the applicable Final Terms.

(i) Accrual of Interest

Each Note (or in the case of the redemption of only part of a Note, only that part of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due with respect to such Note up to that day are received by or on behalf of the holder of such Note; and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 15 or individually) of receipt of all sums due in respect thereof up to that date.

4. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, this Note will be redeemed by the Company at its Final Redemption Amount on the Maturity Date specified in, or determined in the manner specified in, the applicable Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the applicable Final Terms (in the case of a Floating Rate Note) and, in each case, in the relevant Specified Currency.

(b) Redemption for Tax Reasons

The Company may redeem the Notes of this Series in whole, but not in part, at any time at their Early Redemption Amount, together, if appropriate, with accrued interest to (but excluding) the date fixed for redemption, if the Company shall determine, based upon a written opinion of independent counsel selected by the Company that as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in application or official interpretation of such laws, regulations or rulings, which amendment or change is effective on or after the latest Issue Date of the Notes of this Series, the Company would be required to pay additional amounts, as provided in Condition 8, on the occasion of the next payment due with respect to the Notes of this Series.

The Notes of this Series are also subject to redemption in whole, but not in part, in the other circumstances described in Condition 8.

Notice of intention to redeem Notes will be given at least once in accordance with Condition 15 not less than 30 days nor more than 60 days prior to the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the effective date of such change or amendment and that at the time notice of such redemption is given, such obligation to pay such additional amounts remains in effect and cannot be avoided by the Company's taking reasonable measures available to it. From and after any redemption date, if monies for the redemption of Notes shall have been made available for redemption

on such redemption date, such Notes shall cease to bear interest, if applicable, and the only right of the holders of such Notes and any Receipts or Coupons appertaining thereto shall be to receive payment of the Early Redemption Amount and, if appropriate, all unpaid interest accrued to such redemption date.

(c) Final Terms

The Final Terms applicable to the Notes of this Series indicates either:

- (i) that the Notes of this Series cannot be redeemed prior to their Maturity Date or, as the case may be, the Interest Payment Date falling in the relevant Redemption Month (in each case except as otherwise provided in paragraph (b) above and in Condition 12); or
- (ii) that such Notes will be redeemable at the option of the Company and/or the holders of the Notes prior to such Maturity Date or, as the case may be, the Interest Payment Date falling in the relevant Redemption Month in accordance with the provisions of Condition 4(d) and/or (e) below on the date or dates and at the amount or amounts indicated in the applicable Final Terms.

(d) Redemption at the Option of the Company

If so specified in the applicable Final Terms, the Company may (unless otherwise specified in the applicable Final Terms), having given not more than 60 nor less than 30 days notice (or such lesser notice period (if any) as is specified in the applicable Final Terms) to the Agent and, in accordance with Condition 15, the holders of the Notes of this Series (which notice shall be irrevocable), repay all or only some of the Notes of this Series then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) indicated in the applicable Final Terms together, if appropriate, with accrued interest. In the event of a redemption of only some of such Notes of this Series, such redemption must be for an amount being at least the Minimum Redemption Amount or at most the Maximum Redemption Amount, in each case as indicated in the applicable Final Terms. In the case of a partial redemption of definitive Notes of this Series, the Notes of this Series to be repaid will be selected individually by lot not more than 60 days prior to the date fixed for redemption and a list of the Notes of this Series called for redemption will be published in accordance with Condition 15 not less than 30 days prior to such date. In the case of a partial redemption of Notes which are represented by a global Note, the relevant Notes will be redeemed in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, subject to applicable laws and requirements of any stock exchange and/or market on or by which the relevant Notes are listed and/or admitted to trading.

(e) Redemption at the Option of the Noteholders

If and to the extent specified in the applicable Final Terms, upon the holder of any Note of this Series giving to the Company in accordance with Condition 15 not more than 60 nor less than 30 days notice (or such lesser notice period (if any) as is specified in the applicable Final Terms) (which notice shall be irrevocable) the Company shall, upon the expiration of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount indicated in the applicable Final Terms together, if appropriate, with accrued interest to the Optional Redemption Date.

(f) Early Redemption Amounts

For the purposes of Condition 4(b) and Condition 8 and for calculating the amount payable upon acceleration of the Notes pursuant to Condition 12, Notes will be redeemed at an amount (the "Early Redemption Amount") calculated as follows:

- (i) in the case of Notes (other than Indexed Notes, Equity Linked Notes or Credit Linked Notes) with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

- (ii) in the case of Notes (other than Zero Coupon Notes, but including Indexed Notes, Equity Linked Notes or Credit Linked Notes) with a Final Redemption Amount which is or may be greater or less than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or if no such amount or manner is set out in the Final Terms, at their principal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortized Face Amount") equal to:
 - (A) the sum of (x) the Reference Price specified in the applicable Final Terms and (y) the product of the Accrual Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or
 - (B) if the amount payable with respect to any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 4(b) above or upon its becoming due and repayable as provided in Condition 12 is not paid or available for payment when due, the amount due and repayable with respect to such Zero Coupon Note shall be the Amortized Face Amount of such Zero Coupon Note calculated as provided above as though the references in sub-paragraph (A) to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date (the "Reference Date") which is the earlier of:
 - (1) the date on which all amounts due with respect to the Note have been paid; and
 - (2) the date on which the full amount of the monies repayable has been received by the Agent and notice to that effect has been given in accordance with Condition 15.

The calculation of the Amortized Face Amount in accordance with this sub-paragraph (B) will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the principal amount of such Note together with interest at a rate per annum equal to the Accrual Yield.

Where any such calculation is to be made for a period of less than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(g) Installments

Any Note which is repayable in installments will be redeemed in the Installment Amounts and on the Installment Dates specified in the applicable Final Terms.

(h) Partly Paid Notes

If the Notes of this Series are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 4 as amended or varied by the applicable Final Terms.

(i) Indexed Notes

Provisions relating to the terms of any Indexed Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(j) Equity Linked Notes

Provisions relating to the terms of any Equity Linked Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(k) Credit Linked Notes

Provision relating to the terms of any Credit Linked Notes, including the redemption thereof, will be set out in the applicable Final Terms.

(l) Purchases

The Company or any of its affiliates may at any time purchase Notes of this Series (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in the open market or otherwise at any price. Such Notes may be held, reissued, resold or, at the option of the Company, surrendered, together with all unmatured Receipts, Coupons or Talons attached thereto or purchased therewith, to the Agent for cancellation.

(m) Cancellation

All Notes which are redeemed in full will forthwith be cancelled, together with all unmatured Receipts, Coupons or Talons attached thereto or surrendered therewith at the time of redemption. All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 4(l), together with all unmatured Receipts, Coupons or Talons cancelled therewith, shall be forwarded to the Agent and cannot be reissued or resold. Except as provided in the applicable Final Terms, no Notes shall be authenticated in lieu of or in exchange for any Notes cancelled in accordance with the provisions of Condition 4.

(n) Other Redemption and Purchase Provisions

Notwithstanding the foregoing:

- (i) the relevant provisions relating to the redemption and purchase of Notes, the terms of which permit the Company to pay and/or discharge its obligations with respect to such Notes by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property shall be set forth in the applicable Final Terms;
- (ii) any additional redemption events which shall enable the Company to redeem the Notes of any Series shall be set forth in the applicable Final Terms; and
- (iii) the Company shall at all times have the right, at its sole and unfettered discretion, to elect not to deliver or procure delivery of any non-cash consideration when the same shall become due and deliverable under the terms of the Notes, but in lieu thereof to pay the Cash Settlement Amount calculated pursuant to the terms of, or as specified in, the relevant Final Terms (the "**Cash Settlement Amount**"). Any payment of the Cash Settlement Amount in lieu of non-cash consideration deliverable under the Notes shall constitute a complete discharge of the Company's obligations in respect of such Notes. Payment of the Cash Settlement Amount will be made in such manner as shall be notified to the holders in accordance with Condition 15.

5. Payments

(a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro or U.S. Dollars will be made by transfer to an account in the Specified Currency (which, in the case of a payment in Yen to a non-resident of

Japan, shall be a non-resident account) maintained by the payee with, or by a check in the Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency;

- (ii) payments in euro will be made by credit or transfer to a euro account specified by the payee or, at the option of the payee, by a euro check; and
- (iii) payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, 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), or by check drawn on a United States bank.

In no event will payment be made by a check mailed to an address in the United States. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. References to "Specified Currency" include any successor currency under applicable law.

(b) Presentation of Notes, Receipts, Coupons and Talons

This Condition 5(b) is subject, in the case of payments on Registered Notes, to the terms of Condition 18(b).

Payments of principal with respect to definitive Notes will (subject as provided below) be made in the Specified Currency and/or other consideration (which may include securities and/or other property or any combination of cash, securities and/or other property) against surrender of definitive Notes and payments of interest with respect to the definitive Notes will (subject as provided below) be made in the Specified Currency and/or other consideration (which may include securities and/or other property or any combination of cash, securities and/or other property) against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

In the case of definitive Notes, payments of principal with respect to installments (if any), other than the final installment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant installment together with the relevant definitive Note against which the amount will be payable with respect to that installment. If any definitive Note is redeemed or becomes repayable prior to the stated Maturity Date (in the case of a Note other than a Floating Rate Note) or prior to the Interest Payment Date falling in the Redemption Month (in the case of a Floating Rate Note) in respect thereof, principal will be payable on surrender of such definitive Note together with all unmatured Receipts appertaining thereto. Receipts presented without the definitive Note to which they appertain and unmatured Receipts do not constitute valid obligations of the Company.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Indexed Notes, Equity Linked Notes or Credit Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the aggregate amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiration of five years after the Relevant Date (as defined in Condition 14) with respect to such principal (whether or not such Coupon would otherwise have become void under Condition 14). Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Indexed Note, Equity Linked Note or Credit Linked Note in definitive form becomes due and repayable, all unmatured Coupons and Talons (if

any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

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

Payments of principal and interest (if any) with respect to Notes of a Series represented by any global Note will (subject as provided below) be made in the manner specified above and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of the Agent. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of the relevant global Note shall be the only person entitled to receive payments with respect to Notes represented by such global Note and the Company will be discharged by payment to, or to the order of, the holder of such global Note with respect to each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Company to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Company with respect to payments due on that global Note.

Notwithstanding the foregoing, payments with respect to the Notes will only be made at the specified office of a Paying Agent in the United States if:

- (i) the Company has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount owing with respect to the Notes in the manner provided above when due;
- (ii) payment of the full amount owing with respect to the Notes at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Company, adverse tax consequences to the Company.

(c) Payment Business Day

If the date for payment of any amount with respect to any Note, Receipt or Coupon is not a Payment Business Day, the holder thereof shall not be entitled to payment (i) until the next following Payment Business Day in the relevant place and shall not be entitled to further interest or other payment with respect to such delay; or (ii) until the next following Payment Business Day unless it would thereby fall into the next calendar month, in which event such date for payment shall be brought forward to the immediately preceding Payment Business Day and shall not be entitled to further interest or other payment with respect to such early or delayed payment. For these purposes, unless otherwise specified in the applicable Final Terms, "Payment Business Day" means any day which is 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 dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and a Business Day (as defined in Condition 3) and any Additional Financial Centre specified in the applicable Final Terms.

(d) Interpretation of Principal and Interest

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

- (i) any additional amounts which may be payable under Condition 8 with respect to principal;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) in relation to Notes redeemable in installments, the Installment Amounts;
- (v) any premium and any other amounts (including any other consideration which may include cash, securities and/or other property or any combination of cash, securities and/or other property) which may be payable or deliverable under or with respect to the Notes;
- (vi) in relation to Zero Coupon Notes, the Amortized Face Amount; and
- (vii) the Optional Redemption Amount(s) (if any) of the Notes.

Any reference in these Terms and Conditions to interest with respect to the Notes shall be deemed to include, as applicable, any additional amounts which may be payable under Condition 8.

(e) Other Payment Provisions

Notwithstanding the foregoing, the relevant provisions relating to the payment of Notes the terms of which permit the Company to pay and/or discharge its obligations with respect to such Notes by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property shall be set forth in the applicable Final Terms.

6. Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below. In acting under the Agency Agreement, the Agent and the Paying Agents will act solely as agents of the Company and do not assume any obligations or relationships of agency or trust to or with the Noteholders, Receipholders or Couponholders, except that (without affecting the obligations of the Company to the Noteholders, Receipholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent for the payment of the principal of or interest on the Notes shall be held by it for the Noteholders and/or Receipholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 14. The Company agrees to perform and observe the obligations imposed upon it under the Agency Agreement and to cause the Agent and the Paying Agents to perform and observe the obligations imposed upon them under the Agency Agreement. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Company without being liable to account to the Noteholders, Receipholders or the Couponholders for any resulting profit. The Company is entitled to vary or terminate the appointment of any paying agent appointed under the terms of the Agency Agreement and/or appoint additional or other paying agents and/or approve any change in the specified office through which any paying agent acts, provided that:

- (i) so long as the Notes of this Series are listed and/or admitted to trading on or by any stock exchange and/or market, there will at all times be a Paying Agent with a specified office in each location required by the rules and regulations of the relevant stock exchange and/or market;

- (ii) there will at all times be a Paying Agent with a specified office in a city in a member state of the European Union;
- (iii) there will at all times be an Agent; and
- (iv) the Company will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to such Directive.

In addition, the Company shall forthwith appoint a Paying Agent having a specified office in The City of New York in the circumstances described in the final paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days prior notice thereof shall have been given to the Agent and the Noteholders in accordance with Condition 15 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Fixed Interest Date or Interest Payment Date, as the case may be.

Notwithstanding the foregoing, the Agent, on behalf of itself and the other Paying Agents, shall have the right to decline to act as the Paying Agent with respect to any Notes issued pursuant to the Program that are payable and/or dischargeable by the Company by the payment or delivery of securities and/or other property or any combination of cash, securities and/or property whereupon the Company shall either (i) act as Paying Agent or (ii) engage another financial institution to act as Paying Agent in respect of such Notes. The Final Terms relating to such Notes shall include the relevant details regarding the applicable Paying Agent.

7. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due with respect to the Note to which it appertains) a further Talon, subject to the provisions of Condition 14. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

8. Payment of Additional Amounts

The Company will, subject to certain limitations and exceptions (set forth below), pay to a Noteholder, Receiptholder or Couponholder who is a United States Alien (as defined below) such additional amounts as may be necessary so that every net payment of principal or interest with respect to the Notes, Receipts or Coupons after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon such Noteholder, Receiptholder or Couponholder, or by reason of the making of such payment, by the United States or any political subdivision or taxing authority thereof or therein, will not be less than the amount provided for in the Notes, Receipts or Coupons to be then due and payable. However, the Company shall not be required to make any payment of additional amounts for or on account of:

- (a) any tax, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Noteholder, Receiptholder or Couponholder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Noteholder, Receiptholder or Couponholder, if such Noteholder, Receiptholder or Couponholder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such Noteholder, Receiptholder or Couponholder (or such

fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein, or (ii) the presentation of a Note, Receipt or Coupon for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

- (b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge imposed by reason of such Noteholder's, Receiptholder's or Couponholder's past or present status as a controlled foreign corporation with respect to the United States or as a corporation which accumulates earnings to avoid United States federal income tax;
- (d) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments of principal or interest with respect to the Notes, Receipts or Coupons;
- (e) any tax, assessment or other governmental charge imposed as a result of such Noteholder's, Receiptholder's or Couponholder's past or present status as the actual or constructive owner of 10 per cent. or more of the total combined voting power of all classes of stock of the Company entitled to vote;
- (f) any tax, assessment or other governmental charge imposed as a result of such Noteholder, Receiptholder or Couponholder being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- (g) any tax, assessment or other governmental charge required to be withheld by any Paying Agent from any payment of principal or interest with respect to any Note, Receipt or Coupon, if such payment can be made without such withholding by any other Paying Agent with respect to the Notes in a member state of the European Union;
- (h) any tax, assessment or other governmental charge required to be withheld or deducted where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (i) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Noteholder, Receiptholder or Couponholder or of the beneficial owner of such Note, Receipt or Coupon, if such compliance is required by statute or by applicable Treasury regulation as a precondition to relief or exemption from such tax, assessment or other governmental charge; or
- (j) any combination of items (a), (b), (c), (d), (e), (f), (g), (h) and (i);

nor shall additional amounts be paid to any Noteholder, Receiptholder or Couponholder who is a fiduciary or partnership or other than the sole beneficial owner of the Note, Receipt or Coupon to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner of the Note, Receipt or Coupon would not have been entitled to payment of the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note, Receipt or Coupon.

The term "United States Alien" means any person that is not (i) a citizen or resident for U.S. tax purposes of the United States who is a natural person, (ii) a corporation or partnership that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia) (other than a

partnership that is not treated as a United States Person, the term "United States Person" being used herein with the meaning given to such term in the Code and applicable Treasury regulations), (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States Persons have authority to control all substantial decisions of the trust (and any other trust that is treated as a United States Person under applicable Treasury regulations).

If the Company shall determine, based upon a written opinion of independent counsel selected by the Company, that any payment made outside the United States by the Company or any of its Paying Agents of the full amount of the next scheduled payment in respect of any Note, Receipt or Coupon of this Series would, under any present or future laws or regulations of the United States affecting taxation or otherwise, be subject to any certification, information or other reporting requirements of any kind, the effect of which requirements is the disclosure to the Company, any of the Paying Agents or any governmental authority of the nationality, residence or identity (as distinguished from status as a United States Alien) of a beneficial owner of such Note, Receipt or Coupon who is a United States Alien (other than such requirements which (i) would not be applicable to a payment made by the Company to a custodian, nominee or other agent of the beneficial owner, or which can be satisfied by such a custodian, nominee or other agent certifying to the effect that such beneficial owner is a United States Alien, provided, however, in each case that payment by such custodian, nominee or agent to such beneficial owner is not otherwise subject to any requirements referred to in this sentence, (ii) are applicable only to payment by a custodian, nominee or other agent of the beneficial owner to or on behalf of such beneficial owner, or (iii) would not be applicable to a payment made by any other Paying Agent), the Company shall redeem the Notes of this Series as a whole but not in part at a redemption price equal to the Early Redemption Amount together, if appropriate, with accrued interest to, but excluding, the date fixed for redemption, such redemption to take place on such date not later than one year after the publication of notice of such determination. If the Company becomes aware of an event that might give rise to such certification, information or other reporting requirements, the Company shall, as soon as practicable, solicit advice of independent counsel selected by the Company to establish whether such certification, information or other reporting requirements will apply and, if such requirements will, in the written opinion of such counsel, apply, the Company shall give prompt notice of such determination (a "Tax Notice") in accordance with Condition 15 stating in such notice the effective date of such certification, information or other reporting requirements and, if applicable, the date by which the redemption shall take place. Notwithstanding the foregoing, the Company shall not redeem Notes if the Company, based upon the written opinion of independent counsel selected by the Company, shall subsequently determine not less than 30 days prior to the date fixed for redemption that subsequent payments would not be subject to any such requirements, in which case the Company shall give prompt notice of such determination in accordance with Condition 15 and any earlier redemption notice shall thereby be revoked and of no further effect.

Notwithstanding the foregoing, if and so long as the certification, information or other reporting requirements referred to in the preceding paragraph would be fully satisfied by payment of a backup withholding tax or similar charge, the Company may elect prior to publication of the Tax Notice to have the provisions described in this paragraph apply in lieu of the provisions described in the preceding paragraph, in which case the Tax Notice shall state the effective date of such certification, information or reporting requirements and that the Company has elected to pay additional amounts rather than redeem the Notes. In such event, the Company will pay as additional amounts such amounts as may be necessary so that every net payment made following the effective date of such certification, information or reporting requirements outside the United States by the Company or any of the Paying Agents of principal or interest due with respect to a Note, Receipt or Coupon to a holder who certifies to the effect that the beneficial owner of such Note, Receipt or Coupon is a United States Alien (provided that such certification shall not have the effect of communicating to the Company or any of the Paying Agents or any governmental authority the nationality, residence or identity of such beneficial owner) after deduction or withholding for or on account of such backup withholding tax or similar charge (other than a backup withholding tax or similar charge which (i) is imposed as a result of certification, information or other reporting requirements referred to in the second parenthetical clause of the first sentence of the preceding paragraph, or (ii) is imposed as a result

of the fact that the Company or any of its Paying Agents has actual knowledge that the holder or beneficial owner of such Note, Receipt or Coupon is not a United States Alien but is within the category of persons, corporations or other entities described in clause (a)(i) of the third preceding paragraph, or (iii) is imposed as a result of presentation of such Note, Receipt or Coupon for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later), will not be less than the amount provided for in such Note, such Receipt or such Coupon to be then due and payable. In the event the Company elects to pay such additional amounts, the Company will have the right, at its sole option, at any time, to redeem the Notes of this Series, as a whole but not in part at a redemption price equal to their Early Redemption Amount, together, if appropriate, with accrued interest to the date fixed for redemption including any additional amounts required to be paid under this paragraph. If the Company has made the determination described in the preceding paragraph with respect to certification, information or other reporting requirements applicable to interest only and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph with respect to such requirements applicable to principal, the Company will redeem the Notes of this Series in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Company elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances the Notes are to be redeemed, the Company will be obligated to pay additional amounts with respect to interest, if any, accrued to the date of redemption. If the Company has made the determination described in the preceding paragraph and subsequently makes a determination in the manner and of the nature referred to in such preceding paragraph that the level of withholding applicable to principal or interest has been increased, the Company will redeem the Notes of this Series in the manner and on the terms described in the preceding paragraph (except as provided below), unless the Company elects to have the provisions of this paragraph apply rather than the provisions of the immediately preceding paragraph. If in such circumstances the Notes are to be redeemed, the Company will be obligated to pay additional amounts with respect to the original level of withholding on principal and interest, if any, accrued to the date of redemption.

9. Negative Pledge and Covenants of the Company

The Company will not, and it will not permit any Subsidiary at any time directly or indirectly to, create, assume, or incur any indebtedness for borrowed money secured by a pledge of, lien on or security interest in (any pledge, lien or security interest being hereinafter in this paragraph referred to as a "lien") the Voting Stock of any Significant Subsidiary without making effective provision whereby the Notes and coupons appertaining thereto, if any (and, if the Company so elects, any other indebtedness ranking on a parity with the Notes), shall be secured equally and ratably with such secured indebtedness so long as such other indebtedness shall be so secured; provided, however, that the foregoing covenant shall not be applicable to liens for taxes or assessments or governmental charges or levies not then due and delinquent or the validity of which is being contested in good faith or which are less than U.S.\$5,000,000 in amount, liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings or which involve claims of less than U.S.\$5,000,000, or deposits to secure (or in lieu of) surety, stay, appeal or customs bonds; provided, further, that the foregoing shall not be applicable to indebtedness for borrowed money secured by a lien on any shares of the Voting Stock of any Person existing at the time such Person becomes a Significant Subsidiary, including extensions, renewals and replacements of such indebtedness without increase in the amount thereof.

As used herein:

"Consolidated Net Worth" means consolidated assets minus consolidated liabilities as calculated in accordance with generally accepted accounting principles.

"Person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Significant Subsidiary" means any Subsidiary the Consolidated Net Worth of which constituted at least 15 per cent. of the Consolidated Net Worth of the Company as of the end of the most recently completed fiscal year.

"Subsidiary" means any corporation of which at the time of determination the Company and/or one or more subsidiaries owns or controls directly or indirectly more than 50 per cent. of the shares of Voting Stock.

"Voting Stock" means stock of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Person provided that, for purposes hereof, stock which carries only the right to vote conditionally on the happening of an event shall not be considered voting stock whether or not such event shall have happened.

10. **Consolidation or Merger**

The Company may consolidate with, or sell or convey all or substantially all of its assets to, or merge with or into any other corporation provided that in any such case, (i) either the Company shall be the continuing corporation, or the successor corporation shall be a corporation organized and existing under the laws of the United States of America or a state thereof and such successor corporation shall expressly assume the due and punctual payment of all amounts (including additional amounts as provided in Condition 8) payable with respect to the Notes, Receipts and Coupons, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Note to be performed by the Company by an amendment to the Agency Agreement executed by such successor corporation, the Company and the Agent, and (ii) immediately after giving effect to such transaction, no event of default under Condition 12, and no event which, with notice or lapse of time or both, would become such an event of default shall have happened and be continuing. In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the Company, and the Company, except in the event of a conveyance by way of lease, shall be relieved of any further obligation under this Note and the Agency Agreement.

11. **Meetings, Modifications and Waivers**

The Agency Agreement contains provisions which, unless otherwise provided in the applicable Final Terms, are binding on the Company, the Noteholders, the Receiptholders and the Couponholders, for convening meetings of holders of Notes, Receipts and Coupons to consider matters affecting their interests, including the modification or waiver of the Terms and Conditions applicable to the Notes.

The Agency Agreement, the Notes and any Receipts and Coupons attached to the Notes may be amended by the Company (and, in the case of the Agency Agreement, the Agent) (i) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, or to evidence the succession of another corporation to the Company as provided in Condition 10, (ii) to make any further modifications of the terms of the Agency Agreement necessary or desirable to allow for the issuance of any additional Notes (which modifications shall not be materially adverse to holders of outstanding Notes) or (iii) in any manner which the Company (and, in the case of the Agency Agreement, the Agent) may deem necessary or desirable and which shall not materially adversely affect the interests of the holders of the Notes, Receipts and Coupons, to all of which each holder of Notes, Receipts and Coupons shall, by acceptance thereof, consent. In addition, with the written consent of the holders of not less than a majority in aggregate principal amount of the Notes then outstanding affected thereby, or by a resolution adopted by a majority in aggregate principal amount of such outstanding Notes affected thereby present or represented at a meeting of such holders at which a quorum is present, as provided in the Agency Agreement (provided that such resolution shall be approved by the holders of not less than 25 per cent. of the aggregate principal amount of Notes then outstanding), the Company and the Agent may from time to time and at any time enter into agreements modifying or amending the Agency Agreement or the terms and conditions of the Notes, Receipts and Coupons for the purpose of adding any provisions to or changing in any manner or eliminating

any provisions of the Agency Agreement or of modifying in any manner the rights of the holders of Notes, Receipts and Coupons; provided, however, that no such agreement shall, without the consent or the affirmative vote of the holder of each Note affected thereby, (i) change the stated Maturity Date or Redemption Month with respect to any Note or reduce or cancel the amount payable at maturity thereof; (ii) reduce the amount payable or modify the payment date for any interest with respect to any Note or vary the method of calculating the rate of interest with respect to any Note; (iii) reduce any Minimum Interest Rate and/or Maximum Interest Rate with respect to any Note; (iv) modify the currency in which payments under any Note and/or the Coupons appertaining thereto are to be made; (v) change the obligation of the Company to pay additional amounts as provided in Condition 8; (vi) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is necessary to modify or amend the Agency Agreement or the terms and conditions of the Notes or to waive any future compliance or past default; or (vii) reduce the percentage in principal amount of outstanding Notes the consent of the holders of which is required at any meeting of holders of Notes at which a resolution is adopted. The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the Notes at the time outstanding affected thereby and at any adjourned meeting will be one or more persons holding or representing 25 per cent. in aggregate principal amount of such Notes at the time outstanding affected thereby. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to the Agency Agreement or to the terms and conditions of the Notes, Receipts and Coupons will be conclusive and binding on all holders of Notes, Receipts and Coupons, whether or not they have given such consent or were present at any meeting, and whether or not notation of such modifications, amendments or waivers is made upon the Notes, Receipts and Coupons. It shall not be necessary for the consent of the holders of Notes under this Condition 11 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Bearer Notes authenticated and delivered after the execution of any amendment to the Agency Agreement, Notes, Receipts or Coupons may bear a notation in form approved by the Agent as to any matter provided for in such amendment.

New Notes so modified as to conform, in the opinion of the Agent and the Company, to any modification contained in any such amendment may be prepared by the Company, authenticated by the Agent and delivered in exchange for the Notes then outstanding.

For the purposes of this Condition 11 and Condition 12 below, the term "outstanding" means, in relation to the Notes, all Notes issued under the Agency Agreement other than (i) those which have been redeemed in full in accordance with the Agency Agreement or these Terms and Conditions, (ii) those with respect to which the date for redemption in accordance with these Terms and Conditions has occurred and the redemption monies wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under these Terms and Conditions after such date) have been duly paid to the Agent as provided in the Agency Agreement (and, where appropriate, notice has been given to the holders of Notes in accordance with Condition 15) and remain available for payment against presentation of the Notes, (iii) those which have become void under Condition 14, (iv) those which have been purchased and cancelled as provided in Condition 4, (v) those mutilated or defaced notes which have been surrendered in exchange for replacement Notes pursuant to Condition 13, (vi) (for the purposes 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 with respect to which replacement Notes have been issued pursuant to Condition 13 and (vii) temporary global Notes to the extent that they shall have been duly exchanged for permanent global Notes and permanent global Notes to the extent that they shall have been duly exchanged for definitive Notes, in each case pursuant to their respective provisions.

12. Default and Acceleration

- (a) In the event that:

- (i) default shall be made in the payment when due of any amount of interest on any of the Notes continued for a period of 30 days after the date when due; or
- (ii) default shall be made in the payment when due of the principal of any Note (whether at maturity or upon redemption or otherwise); or
- (iii) the Company shall fail to perform or observe any other term, covenant or agreement contained in the Terms and Conditions applicable to any of the Notes or in the Agency Agreement for a period of 60 days after the date on which written notice of such failure, requiring the Company to remedy the same, first shall have been given to the Agent by the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes; or
- (iv) a court having jurisdiction in the premises shall have entered a decree or order granting relief with respect to the Company in an involuntary proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, trustee, assignee, custodian or sequestrator (or similar official) of the Company or of all or substantially all of its property or for the winding up or liquidation of its affairs, and such decree or order shall have remained in force and unstayed for a period of 60 days; or
- (v) the Company shall institute proceedings for relief under any applicable bankruptcy, insolvency or any other similar law now or hereafter in effect, or shall consent to the institution of any such proceedings against it, or shall consent to the appointment of a receiver, liquidator, trustee, assignee, custodian or sequestrator (or similar official) of it or of all or substantially all of its property, or shall make an assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing;

then the holders of 25 per cent. in aggregate principal amount of the outstanding Notes may, at their option, declare the principal of the Notes and the interest, if any, accrued thereon to be due and payable immediately by written notice to the Company and the Agent at its main office in London, and unless all such defaults shall have been cured by the Company prior to receipt of such written notice, the principal of this Note and the interest, if any, accrued hereon shall become and be immediately due and payable.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due with respect to any Note has been obtained by any Noteholder, such declaration and its consequences may be rescinded and annulled upon the written consent of holders of a majority in aggregate principal amount of the Notes then outstanding, or by resolution adopted by a majority in aggregate principal amount of the Notes outstanding present or represented at a meeting of holders of the Notes at which a quorum is present, as provided in the Agency Agreement, if:

- (1) the Company has paid or deposited with the Agent a sum sufficient to pay
 - (A) all overdue amounts of interest on the Notes,
 - (B) the principal of Notes which has become due otherwise than by such declaration of acceleration; and
- (2) all events of default with respect to the Notes, other than the non-payment of the principal of the Notes which has become due solely by such declaration of acceleration, have been cured or waived as provided in paragraph (b) below.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- (b) Any default by the Company, other than the events described in paragraph (a)(i) or (a)(ii) above or with respect to a covenant or provision which cannot be modified and amended without the written consent of the holders of all outstanding Notes, may be waived by the written consent of holders of a majority in aggregate principal amount of the Notes then outstanding affected thereby, or by resolution adopted by a majority in aggregate principal amount of such Notes then outstanding present or represented at a meeting of holders of the Notes affected thereby at which a quorum is present, as provided in the Agency Agreement.
- (c) Notwithstanding the foregoing, the relevant provisions relating to default and acceleration with respect to Notes the terms of which permit the Company to pay and/or discharge its obligations with respect to such Notes by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property shall be set forth in the applicable Final Terms.

13. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be mutilated, defaced or destroyed or be lost or stolen, it may be replaced at the specified office of the Agent in London (or such other place as may be notified to the Noteholders), in accordance with all applicable laws and regulations, upon payment by the claimant of the expenses incurred by the Company and the Agent in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Company and the Agent may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Prescription

To the extent permitted by applicable law, the Notes, Receipts and Coupons will become void unless presented for payment within a period of five years from the Relevant Date (as defined below) relating thereto. Any monies paid by the Company to the Agent for the payment of principal or interest with respect to the Notes and remaining unclaimed when the Notes, Receipts or Coupons become void shall forthwith be repaid to the Company and all liability with respect thereto shall thereupon cease.

As used herein, the "Relevant Date" means:

- (A) the date on which such payment first becomes due; or
- (B) if the full amount of the monies payable has not been received by the Agent on or prior to such due date, the date on which, the full amount of such monies having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 15.

15. Notices

All notices regarding the Notes shall be published (i) in respect of any Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange appearing on the list of regulated markets issued by the European Commission and/or listed on the official list of the Luxembourg Stock Exchange and so long as the rules of such stock exchange so require, in a Luxembourg daily newspaper with general circulation in Luxembourg (which is expected to be *D'Wort*) and (ii) in respect of all Notes in one leading English language daily newspaper with circulation in the United Kingdom (which is expected to be the *Financial Times*). The Company shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange and/or market, on or by which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of the first publication.

Except in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange

appearing on the list of regulated markets issued by the European Commission and/or listed on the official list of the Luxembourg Stock Exchange, until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on or by and/or admitted to trading on or by a stock exchange, and/or market, the rules of such stock exchange and/or market, or any other relevant authority so permit), so long as the global Notes for this Series are held in their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes of this Series. Any such notice shall be deemed to have been given to the holders of the Notes of this Series on the same day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes of this Series shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent, in the case of Bearer Notes and with the Agent and the Registrar, in the case of Registered Notes. While any of the Notes of this Series are represented by a global Note, such notice may be given by any holder of a Note of this Series to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. Further Issues

Unless specified otherwise in the applicable Final Terms, the Company shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further Notes having terms and conditions the same as the Notes or the same in all respects except for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

If the Company issues further Notes of the same Series during the initial 40-day restricted period applicable to the outstanding Notes of such Series, then such 40-day period will be extended until 40 days after the later of the commencement of the offering of such further issue of Notes and the Issue Date of such further issue of Notes. In addition, if the Company issues further Notes of the same Series after the expiration of the 40-day restricted period, a new 40-day restricted period will be applied to such further issue of Notes without applying to the outstanding Notes. After the expiration of the new 40-day restricted period, all such Notes will be consolidated with and form a single Series with the outstanding Notes.

17. Governing Law

The Agency Agreement and the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the laws of the State of New York, United States of America, applicable to agreements made and to be performed wholly within such jurisdiction.

18. Registered Notes

Notwithstanding anything to the contrary in the Terms and Conditions, the following shall, unless otherwise stated in the applicable Final Terms, apply to Registered Notes.

(a) General

Registered Notes (which term includes Registered Short-term Notes) shall be issued in registered form and shall be registered in the name of a nominee for, and deposited on the relevant Issue Date with, a common depositary for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Accordingly, each person who owns a beneficial interest in Registered Notes that are represented by a permanent global Note must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg and/or any other agreed clearing system as the case may be, to exercise any rights of a registered holder of such Notes. Unless otherwise provided in the applicable Final Terms, Deutsche Bank Luxembourg S.A. shall be the Registrar with respect to such Registered Notes.

Registered Notes shall be exchangeable for definitive Notes in registered form if, but only if, (i) Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, (ii) the Company instructs the Agent that the global Notes be exchangeable or (iii) an event of default has occurred and is continuing with respect to the Registered Notes. Such definitive Registered Notes shall be registered in such name or names as the common depositary shall instruct the Agent and shall be in the form agreed to by the Company and the Agent at the time of exchange.

Transfers of definitive Registered Notes will be effected by presentment and surrender of such Note at the office of the Registrar and upon the Registrar being satisfied with the identity of the person making the request. In exchange for any definitive Registered Note properly presented for transfer at the office of the Registrar, the Agent shall promptly authenticate or cause to be authenticated and deliver or cause to be delivered at the office of the Registrar to the transferee or send by mail (at the risk of the transferee) to such address as the transferee may request, a definitive Registered Note(s) of the same Series registered in the name of such transferee, for the same aggregate principal amount being transferred. The Registrar shall not register the transfer of any definitive Registered Note during a period beginning at the opening of business fifteen (15) days before any selection of Notes of that Series to be redeemed and ending on the close of business on the day of the mailing of the relevant notice of early redemption or selected for redemption, except with respect to the unredeemed portion of Notes redeemed in part.

(b) Payments on Registered Notes (not including Registered Short-Term Notes)

Notwithstanding anything to the contrary in Condition 5, the following shall, unless otherwise stated in the applicable Final Terms, apply to Registered Notes.

Any interest, other than interest payable at the stated Maturity Date or upon earlier redemption, will be payable on any Fixed Interest Date or Interest Payment Date, as applicable, with respect to a Registered Note to the Person in whose name the Registered Note is registered in the relevant Register maintained by the applicable Registrar ("Registered Holder") at the close of business on the fifteenth calendar day (whether or not a Business Day) preceding such Fixed Interest Date or Interest Payment Date, as applicable, or such other date as may be specified in the applicable Final Terms (the "Record Date"); provided that if the Issue Date is after the Record Date and before the next succeeding Fixed Interest Date or Interest Payment Date, as applicable, the first payment of interest shall be payable on the second Fixed Interest Date or Interest Payment Date, as applicable, following the Issue Date to the Person in whose name the Registered Note is registered at the close of business on the Record Date immediately preceding such second Fixed Interest Date or Interest Payment Date. Any principal (including any premium, the Final Redemption Amount, the Early Redemption Amount or any other amount payable in respect thereof) payable in respect of Registered Notes at the stated Maturity Date or upon earlier redemption shall be payable, upon presentation and surrender thereof at the specified office of the Agent in London, England or at the offices of any of the other Paying Agents.

Payments, if any, on a Registered Note will be made to the Registered Holder hereof on any Fixed Interest Date, Interest Payment Date or Maturity Date, as applicable, or on such earlier date of redemption as the Registered Notes may become due and payable in accordance with the Terms and Conditions, but only to the extent that an appropriate certificate with respect to the non-U.S. beneficial ownership of the Registered Note which satisfies the applicable United States Treasury Department ("Treasury") regulations, and which certificate shall be in form acceptable to the Paying Agent has been provided and received from the beneficial owner ("Owner") of the Registered Note. In the event that the certification of non-U.S. beneficial ownership is not received from the Owner of the Registered Note by the Paying Agent at least five London Business Days prior to the date of any such payment of principal and/or interest, if any, due on this Registered Note will not be made on such date of payment. If the aforementioned certification is received by

the Paying Agent at any time after the fifth London Business Day prior to the date of such payment, the Paying Agent shall make payment to the Registered Holder hereof of principal and/or interest, if any, on this Registered Note within five London Business Days after receipt by the Paying Agent of the applicable certification. Interest shall cease to accrue on this Registered Note on any such date of payment, including the Maturity Date, and no additional interest shall be paid for the period from (and including) the date of payment or Maturity Date to the actual date of payment. "London Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

The Company and each Holder and Owner, by acceptance of a Note (or a beneficial interest therein), agrees to treat the Notes, for purposes of United States federal, state and local income or franchise taxes and any other taxes imposed on or measured by income, as indebtedness of the Company and to report the Registered Notes on all applicable tax returns in a manner consistent with such treatment and each Holder or Owner, as appropriate, further agrees to timely furnish the Issuer or its agents any United States federal income tax form or certification (such as Form W-8BEN, W-8ECI, W-8IMY (with appropriate attachments) or Form W-9) that the Company, the Agent, the Paying Agent, or the Company's agents may reasonably request and shall update such form or certification in accordance with its terms or its subsequent amendments.

Any additional provisions applicable to such Registered Notes shall be set forth in full in the applicable Final Terms.

(c) Payments on Registered Short-Term Notes

Payments of principal and interest on Registered Short-term Notes will be made through Euroclear and Clearstream, Luxembourg only upon surrender of such Notes at the specified office of the Agent in London, England or at the offices of any of the other Paying Agents and only to the extent that appropriate certification of non-U.S. beneficial ownership of the Notes in the manner required by applicable Treasury regulations has been received by Euroclear or Clearstream, Luxembourg at least five London Business Days (as defined below) prior to the date of such payment. Such certification must be received in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate. In the event that certification from Euroclear or Clearstream, Luxembourg is not received by the Agent at least five London Business Days prior to the Maturity Date with respect to all or a portion of the Notes held by it, payment of principal and interest, if any, on the Registered Short-term Notes with respect to which such certification has not been received will not be made on the Maturity Date. If the certification relating to Registered Short-term Notes is delivered to the Agent after the fifth London Business Day prior to the Maturity Date, the Agent shall make payment of the principal and interest to Euroclear or Clearstream, Luxembourg, as the case may be, on the applicable Registered Short-term Note within five London Business Days after receipt by the Agent of the applicable certification. Interest will cease to accrue on the Registered Short-term Notes on the Maturity Date and no additional interest shall be paid for the period from (and including) the Maturity Date to the actual date of payment.

Any additional provisions applicable to such Registered Short-term Notes shall be set forth in full in the applicable Final Terms.

APPENDIX D

INFORMATION REGARDING ITALIAN TAXATION

Italian Taxation

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

*Legislative Decree No. 344 of 12 December 2003 (**Decree No. 344**) published in the Italian Official Gazette No. 291 of 16 December 2003 (Ordinary Supplement No. 190), effective as of 1 January 2004 introduced the reform of taxation of corporations and of certain financial income amending the Italian Income Taxes Consolidated Code. Legislative Decree No. 247 of 19 November 2005 (known as the "Correttivo IRES") published in the Italian Official Gazette No. 280 of 1 December 2005, amended Decree No. 344 on certain provisions related to the taxation of corporations and of certain financial income.*

In the near future, also on the basis of the approval of the law proposal No. 1762 of 4 October 2006, currently under discussion in the Parliament, the Italian Government could be authorised to introduce a fixed 20 per cent. withholding tax on capital gains and financial incomes, which may impact upon the tax regime applicable to the Notes.

Prospective purchasers of the **Notes** are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax Treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as a subsequently amended, (the "**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, *inter alia*, by non-Italian resident issuers.

Where 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 the 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 the 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 the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP - the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of Interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, 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 a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**") or a SICAV,

and the Notes are held by an authorized intermediary, interest, premium and other income accrued during the holding period on the 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.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by articles 14, 14-bis 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11.00 per cent. substitute tax.

Pursuant to Decree 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 the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

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

Non-Italian Resident Noteholders

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.

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 responsible for payment of interest or the redemption 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. This provision should not apply to an Italian Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27.00 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value.

The 27.00 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

Capital Gains Tax

Any gain obtained from the sale or redemption of the 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 Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

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

losses with gains.

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

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

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being 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 the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.50 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 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.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by articles 14, 14-bis 14-ter and 14-quater, paragraph 1, of Legislative Decree No. 124 of 21 April 1993) 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 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:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding EUR 1,000,000;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding €100.000; and

(iii) any other transfer is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

Transfer Tax

Pursuant to Italian Legislative Decree No. 435 of 21 November 1997, which partly amended the regime set forth by Royal Decree No. 3278 of 30 December 1923, the transfer of the Notes may be subject to the Italian transfer tax, which is currently payable at a rate between a maximum of EUR 0.0083 and a minimum of EUR 0.00465 per EUR 51.65 (or fraction thereof) of the price at which the Notes are transferred. Where the transfer tax is applied at a rate of EUR 0.00465 per EUR 51.65 (or fraction thereof) of the price at which the Notes are transferred, the transfer tax cannot exceed EUR 929.62.

However, the transfer tax does not apply, *inter alia*, to: (i) contracts entered into on regulated markets relating to the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries, (ii) off-market transactions regarding securities listed on regulated markets, provided that the contracts are entered into (a) between banks, SIMs or other financial intermediaries regulated by Legislative Decree No. 415 of 23 July 1996 as superseded by Legislative Decree No. 58 of 24 February 1998, or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; and (c) between the subjects mentioned in (a) above, even if non-resident in Italy, on the one hand, and undertakings for collective investment in transferable securities, on the other hand; (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at the listing on regulated markets, or involving financial instruments already listed on regulated markets, (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), Member States are required, from 1 July 2005, 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, Belgium, 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.

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 starting from 1 July 2005 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.

SIGNATURE PAGE
For Securities Note dated February 8, 2007
Relating to Series No. 4226
Up to EUR 70,000,000 Commodity Basket Linked Notes due March 2012
of
MERRILL LYNCH & CO., INC.

LISTING AND ADMISSION TO TRADING APPLICATION

This Securities Note comprises the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Company's U.S.\$60,000,000,000 Euro Medium-Term Note Program.

RESPONSIBILITY

The Company accepts responsibility for the information contained in this Securities Note. The information included in Appendix B (*Information Regarding the Reference Basket*) of this Securities Note consists of extracts from, or summaries of, information released publicly by Bloomberg and/ or FT.com. The Company confirms that such information has been accurately reproduced and, as far as it is aware and is able to ascertain from the information released publicly by such entities, no facts have been omitted which would render the reproduced inaccurate or misleading.

Signed on behalf of the Company:

By: _____
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