

DATED: 27 June 2011

Series Memorandum

ELM B.V.

a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with its seat (*zetel*) in Amsterdam, The Netherlands

SERIES 148

**EUR 40,000,000 Secured Floating Rate Notes
due 2041**

EUR 15,000,000,000 Secured Note Programme

The attention of prospective investors is drawn to the section headed "Risk Factors" on page 6 of this Series Memorandum

UBS Investment Bank

This Series Memorandum (as used herein, this “**Series Memorandum**”) is prepared in connection with the EUR 15,000,000,000 Secured Note Programme (the “**Programme**”) of ELM B.V. (the “**Issuer**”) and is issued in conjunction with, and incorporates by reference the contents of, the Programme Memorandum dated 22 November 2010 relating to the Programme (the “**Programme Memorandum**”). This document should be read in conjunction with the Programme Memorandum. Save where the context otherwise requires, terms defined in the Programme Memorandum or in the Terms of the Notes have the same meaning when used in this Series Memorandum. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this document and the Programme Memorandum.

The Series Memorandum has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”). The Central Bank of Ireland only approves this Series Memorandum as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

This Series Memorandum comprises a Prospectus for the purposes of the Prospectus Directive.

This Series Memorandum has been prepared for the purpose of seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange. This Series Memorandum has been prepared for the purpose of the offering of Notes in accordance with applicable laws and regulations and as further described in the section entitled “Subscription and Sale” in the Programme Memorandum.

The Issuer accepts responsibility for the information contained in this Series Memorandum except in relation to the information contained in the section entitled “Information relating to UBS AG, London Branch” and subject as provided in the section entitled “Description of the Collateral Securities”. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Series Memorandum for which the Issuer accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

UBS AG, London Branch accepts responsibility for the information contained in the section entitled “Information relating to UBS AG, London Branch” in this Series Memorandum. To the best of the knowledge and belief of UBS AG, London Branch (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. Other than such section, UBS AG, London Branch has not separately verified the information contained herein.

This Series Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Series Memorandum in any jurisdiction where such action is required.

No person has been authorised to give any information or to make representations other than those contained in this Series Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arranger, the Swap Counterparty, the Trustee or any of them. Neither the delivery of this Series Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Application has been made to the Irish Stock Exchange (the “**Irish Stock Exchange**”) for the Notes to be admitted to the Official List (the “**Official List**”) and trading on its regulated market. No assurance can be given that such application will be granted.

This Series Memorandum contains references to credit ratings granted by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”), Moody’s Investor Service, Inc. (“**Moody’s**”) and Fitch Ratings Limited (“**Fitch**”). Fitch is established in the European Community and has applied for registration pursuant to Article 15 (*Application for Registration*) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit ratings (the “**Regulation**”). As at the date of this Series Memorandum, no registration has been granted to Fitch, however pursuant to Article 40 (*Transitional Provisions*) of the Regulation, Fitch may continue to issue credit ratings which may be used for regulatory purposes by the financial institutions referred to in Article 4(1) of the Regulation unless such registration is refused. S&P and Moody’s are not established in the European Community and have not applied for registration pursuant to the Regulation.

For as long as the Notes are listed on the Irish Stock Exchange, copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Registrar for so long as any of the Notes shall remain outstanding:

- (i) this Series Memorandum and the Programme Memorandum;
- (ii) the Constituting Instrument dated 17 June 2011 and the Charged Agreement constituted thereby;
- (iii) the Memorandum and Articles of Association of the Issuer; and
- (iv) the audited financial statements of the Issuer for the financial year ending on 31 December 2009.

The Trustee will represent the Noteholders in accordance with the Master Trust Terms. The security granted by the Issuer in respect of the Notes is granted in favour of the Trustee who holds such security on trust for the Swap Counterparty and the Noteholders in accordance with the Master Trust Terms and the terms hereof, including the order of priorities specified herein. The Trustee is entitled to exercise certain powers, trusts, authorities and discretions in accordance with the Master Trust Terms and the terms hereof.

The language of the Series Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. Any reference to websites in this Series Memorandum is for information purposes only and such websites shall not form part of this document.

Particular attention is drawn to the section of this Series Memorandum headed “Risk Factors”.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and are subject to certain United States tax law requirements. Accordingly, the Notes are being offered and sold only in bearer form outside the United States (as such term is defined in Regulation S under the Securities Act (“Regulation S”)) to non-US persons in reliance on Regulation S.

The Notes are illiquid investments, the purchase of which involves substantial risks. Any investor investing in the Notes should fully consider, understand and appreciate those risks.

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Risk Factors

Investor Suitability

The purchase of the Notes involves substantial risks. Each prospective purchaser of the Notes should be familiar with instruments having characteristics similar to the Notes and should fully understand the terms of the Notes and the nature and extent of its exposure to risk of loss.

Before making an investment decision, prospective purchasers of the Notes should conduct such independent investigation and analysis regarding the Issuer, the Swap Counterparty and all other relevant persons and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. In particular, as part of such independent investigation and analysis, prospective purchasers of the Notes should consider carefully all the information set forth in this Series Memorandum and the considerations set forth below. However, it must be understood that the considerations set forth below are not, and cannot be, an exhaustive list of all possible risks associated with an investment in the Notes.

Investment in the Notes is only suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the information contained in this Series Memorandum and the merits and risks of an investment in the Notes in the context of their own financial circumstances and investment objectives.

No secondary market for the Notes currently exists, nor is one expected to develop. Prospective purchasers of the Notes should therefore recognise that they may not be able to make any transfer of the Notes for a substantial period of time, if at all. Investment in the Notes is therefore only suitable for investors who are capable of bearing the economic risk of an investment in the Notes until their Maturity Date and are not acquiring the Notes with a view to a potential resale, distribution or other disposition at some future date.

Notwithstanding the previous paragraph, as at the date hereof, the Arranger intends, subject to market conditions, to offer bid prices for the Notes on request but (i) is under no obligation to do so and may decline to do so at any time without assigning any reason and (ii) may set any such bid prices at such amount as it may in its discretion think fit. The Arranger is under no obligation to hold a price quoted for any length of time unless this is agreed at the time of giving the quote.

Each prospective investor should ensure that it fully understands the nature of the transaction into which it is entering based on its own independent review and such professional advice (including, without limitation, tax, accounting, credit, legal and regulatory advice) as it deems appropriate under the circumstances and the nature and extent of its exposure to the risk of loss of all or a substantial part of its investment.

References in this section of the Series Memorandum to “**UBS**” shall be deemed to be references to UBS AG, London branch and any relevant affiliate, whether acting in any capacity in relation to the Notes or otherwise.

Credit Risk

The Notes will constitute secured, limited recourse obligations of the Issuer, recourse in respect of which will, in effect, be limited to the proceeds of the Mortgaged Property (as defined herein and in the Programme Memorandum) relating to the Notes and no other assets of the Issuer will be available to satisfy claims of Noteholders.

Noteholders assume the credit risk of the Swap Counterparty (see also “*Exposure to UBS AG; certain risks relating to the Credit Support Annex*” below) and the credit risk of the Charged Assets (as defined in this Series Memorandum).

None of the Issuer, the Trustee and UBS nor any other person on their behalf has made any investigation of, or makes any representation or warranty, express or implied, as to (i) the existence or financial or other condition of the Mortgaged Property or (ii) whether the Charged Agreement constitutes legal, valid and binding obligations of the Swap Counterparty. None of the Issuer, the Trustee, UBS nor any other person acting on their behalf has, in connection with the Notes, made any investigation of, or makes any representation or warranty, express or implied, whether the Collateral Securities constitute legal, valid and binding obligations of their issuer. The Issuer and its affiliates are not responsible for the public disclosure of information by the issuer of the Collateral Securities.

Investment in the Notes may involve a loss of principal by virtue of the terms of the Notes even where there is no default by the Issuer. Noteholders, and prospective purchasers of Notes, will at all times be solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of the issuer of the Collateral Securities and the Swap Counterparty. None of the Issuer, the Trustee, UBS nor any other person acting on their behalf will have any responsibility or duty to make any such investigations, to keep any such matters under review, to provide the Noteholders, or prospective purchasers of the Notes, with any information in relation to such matters or to advise as to the attendant risks.

As at the Issue Date, the outstanding principal amount of the Collateral Securities shall be EUR 40,000,000. The outstanding principal amount of the Collateral Securities held by the Issuer may be reduced from time to time (to an amount not less than zero) to the extent that Collateral Securities are required to be transferred to the Swap Counterparty pursuant to the Credit Support Annex.

Secondary market

In normal market conditions (as determined by the Arranger in its sole discretion) the Arranger undertakes to make reasonable efforts to show bid prices for the Notes upon request, but shall be under no legal obligation to show such bid prices. Any bid price shall be determined in the sole discretion of the Arranger, but shall be on the basis of the difference between (i) the Market Value of the Collateral Securities and (ii) the Market Value of the Swap Transaction to the Swap Counterparty where such phrases have the meaning given to them below:

Market value of Collateral Securities: The market value of the Collateral Securities shall be determined on the basis of the price (including accrued interest), at which a market maker active in trading the Collateral Securities is willing to purchase the amount of Collateral Securities which would be required to be liquidated as a result of the execution of such request, indications of which may be obtainable from Bloomberg and/or from pricing runs distributed by market makers to the Arranger, less any costs incurred by the Swap Counterparty in relation to the liquidation of the Collateral Securities.

Market value of the Swap Transaction: The market value of the Swap Transaction shall be determined on the basis of the difference between: (i) the present value of the cash flows payable by the Issuer to the Swap Counterparty under the terms of the Swap Transaction, and (ii) the present value of the cash flows payable by the Swap Counterparty to the Issuer under the terms of the Swap Transaction, in each case, determined by the Arranger in its sole discretion by reference to its internal models and pricing methodology.

Risks related to Market Value Termination Event

Investors should be aware that the Notes contain a Market Value Event trigger which may be triggered at any time. Whether a Market Value Event has occurred is determined on the basis of whether (a) the amount by which the market value of the Charged Assets exceeds the mark-to-market value of the Swap Transaction to the Swap Counterparty is less than or equal to (b) a specified percentage of the Indexed Principal Amount of the Collateral Securities (which is itself determined by reference to the level of the Eurostat Eurozone HICP Ex Tobacco index). All of these values/prices may fluctuate as a result of market conditions. If a Market Value Event occurs, the 100% Noteholder has the right to upsize the Notes by paying the Upsize Amount to the Issuer. If the 100% Noteholder does not exercise the Upsize Option, or the Notes are held by more than one Noteholder on the relevant date and not all of such Noteholders elect to exercise the Upsize Option, the Notes will be redeemed early as described in "Early Redemption" below.

Noteholders should be aware that for as long as the Notes are in global form, unless otherwise agreed to the mutual satisfaction of the Calculation Agent (on behalf of the Issuer) and the Noteholders, any Market Value Event Notice shall be effectively given when sent by the Calculation Agent (on behalf of the Issuer) to Euroclear and Clearstream, Luxembourg for onward transmission to entitled account holders. Neither the Issuer nor the Calculation Agent nor any other person shall be responsible for ensuring that such account holders receive such notice in a timely manner. Accordingly, any delays in onward transmission or any delays in relevant account holders taking appropriate action upon receipt of transmission could result in the 100% Noteholder failing to exercise the Upsize Option or to pay an amount equal to the relevant Upsize Amount before the expiry of the Upsize Option Settlement Period, which would lead to the early redemption of the Notes.

Noteholders should also be aware that regardless of the person or persons who may have paid to the Issuer an amount equal to the Upsize Amount in connection with the exercise of the Upsize Option, such amount is repayable (either as part of the Scheduled Redemption Amount or the Early Redemption Amount of the Notes, or pursuant to Special Condition (III) below) on a pro rata basis to all of the Noteholders as at the relevant date for redemption of the Notes.

Early Redemption

If the Notes redeem early as a result of an Early Redemption Event, investors will be entitled to payment of the liquidation proceeds of the Charged Assets less an amount equal to the Unwind Costs (or plus an amount equal to the absolute value thereof if such amount is a negative number) and subject to any other prior ranking claims, which may be substantially less than their original investment in the Notes and may be zero.

Accordingly, the ability of Noteholders to recover an amount equal to the then Principal Amount of the Notes is therefore dependent on a number of factors including the extent of prior ranking claims (including any swap termination payment due to the Swap Counterparty) and the value of the Charged Assets when they are liquidated.

Noteholders should note that if an Early Redemption Event has arisen as a result of a Market Value Termination Event, the swap termination payment due to the Swap Counterparty (which will be deducted as part of the Unwind Costs prior to payment of the liquidation proceeds of the Charged Assets to the Noteholders) may not be substantially less than or may be equal to the value of such Charged Assets, meaning that in these circumstances, the Noteholders return is likely to be close to or equal to zero.

The Unwind Costs to be deducted prior to payment of the liquidation proceeds of the Charged Assets to the Noteholders include costs incurred by the Trustee and the Issuer in relation to the Early Redemption of the Notes. If an Early Redemption Event has occurred other than as an result of a Swap Counterparty default these costs are likely to be minimal. If an Early Redemption Event has occurred and the Swap Counterparty is in default, the security for the Notes will

become enforceable and the Trustee will be entitled to all of the usual costs and expenses which may be reasonably incurred by a security trustee in relation to the enforcement of the security such as (i) any additional remuneration for taking on any additional duties and (ii) any costs, charges, liabilities and expenses properly incurred by the Trustee in the exercise of its powers and performance of its duties under the Trust Deed or incurred in connection with any legal proceedings.

Exposure to UBS AG; certain risks relating to Credit Support Annex

The Notes do not represent a claim against the Swap Counterparty or any affiliate of the Swap Counterparty and, in the event of any loss, Noteholders will have recourse to the proceeds of the Mortgaged Property and not to the Swap Counterparty. However, any investor in the Notes will be exposed to the credit risk of the Swap Counterparty.

Under the Credit Support Annex, the Swap Counterparty is required to collateralise any exposure which the Issuer may have to the Swap Counterparty under the Swap Transaction by posting Eligible Credit Support comprising either securities issued by the issuer of the Collateral Securities comprised in the Mortgaged Property or cash in an Eligible Currency (as defined herein). Furthermore, the occurrence of certain events with respect to such securities could trigger a Mandatory Redemption Event with respect to the Notes. Accordingly, Noteholders may be exposed to the risk of a Mandatory Redemption Event being triggered arising from the assets transferred by the Swap Counterparty to the Issuer under the Credit Support Annex.

Also, under the Credit Support Annex, the Issuer is required to collateralise any exposure which the Swap Counterparty may have to the Issuer under the Swap Transaction by posting Eligible Credit Support comprising Charged Assets. Consequently, to the extent that Charged Assets are required to be posted by the Issuer to the Swap Counterparty as Eligible Credit Support under the Credit Support Annex, the amount of Charged Assets collateralising the Issuer's obligations under the Notes will be reduced. Accordingly, Noteholders should be aware that the value of the Charged Assets held by the Issuer can be significantly less than the principal amount of the Notes. Nonetheless, the effect of any such postings of Charged Assets to the Swap Counterparty will be to reduce any termination payment that might otherwise have been payable to the Swap Counterparty if an Early Termination Date were to occur in respect of the Charged Agreement.

Each item that qualifies as Eligible Credit Support will have a certain Valuation Percentage assigned to it under the Credit Support Annex. The Valuation Percentage is a percentage by which the actual value of each item of Eligible Credit Support is multiplied in order to determine the value to be ascribed to such Eligible Credit Support for the purpose of the Credit Support Annex. Accordingly, the lower the Valuation Percentage, the lower the value ascribed to the relevant Eligible Credit Support and therefore the greater the amount of Eligible Credit Support that would need to be transferred to collateralise the relevant exposure. Under the terms of the Credit Support Annex, (i) cash in an Eligible Currency posted by either the Swap Counterparty or the Issuer will have a Valuation Percentage of 100%; (ii) securities issued by the issuer of the Collateral Securities posted by the Swap Counterparty will have a Valuation Percentage of 95%; and (iii) Collateral Securities posted by the Issuer will have a Valuation Percentage of 95%.

Foreign Exchange Risk

Eligible Credit Support (as defined herein) may be denominated in a different currency to that of the Notes. In the event of an Early Redemption Event, the Noteholders may be exposed to foreign exchange risk of the currency of the Eligible Credit Support as against EUR.

Legality of Purchase

None of the Issuer, the Trustee and UBS nor any other person acting on their behalf has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the

jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

No Reliance

Each of the Issuer, the Trustee and UBS disclaims any responsibility to advise purchasers of the Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time hereafter. All information (if any) relating to the Collateral Securities referred to in this Series Memorandum has been extracted from publicly available sources. None of the Issuer, the Trustee and UBS nor any other person acting on their behalf has verified such information and, accordingly, none of them makes any representation or warranty, express or implied, as to its accuracy or completeness. Noteholders may not at any time rely on any such persons or any affiliate of any of them or any person on their behalf to monitor whether or not a Mandatory Redemption Event, or an event or circumstances which, with the giving of notice, the passage of time or making of any determination, could constitute a Mandatory Redemption Event has occurred.

No Restrictions on Activities

Any of the Issuer, the Trustee and UBS and any other person acting on their behalf may have existing or future business relationships (including depository, lending, advisory or any other kind of commercial or investment banking activities or other business) with the issuer of the Collateral Securities or the Swap Counterparty, any affiliate of the issuer of the Collateral Securities or the Swap Counterparty or any other entity having obligations relating to the issuer of the Collateral Securities or the Swap Counterparty (including, in each case, arising from any notes issued by, to or in respect of the obligations of, any such party) and may purchase, sell or otherwise deal in any assets or obligations of, or relating to, any such party. Any of the Issuer, the Trustee and UBS or any other person acting on their behalf may act with respect to any such business, assets or obligations without regard to any possible consequences for the issuer of the Collateral Securities, or the Swap Counterparty, the Notes or the Noteholders (or the impact of any such dealing on the interests of any Noteholder) or otherwise (including, without limitation, any action which might constitute or give rise to a default in relation to the Collateral Securities or a default or an early redemption event in respect of the Notes).

No disclosure of information; disclosure of confidential information

The Issuer or UBS may, whether by virtue of the types of relationships described herein or otherwise, at any time, be in possession of information in relation to the Collateral Securities or their issuer or the Swap Counterparty that is or may be material in the context of the issue of the Notes and that may or may not be publicly available or known to the Noteholder, and the Notes do not create any obligation on the part of the Issuer or UBS or any other person to disclose to any Noteholder any such relationship or information (whether or not confidential).

Taxation

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by the Registrar, although such requirement will give rise to an obligation to redeem the Notes early in the circumstances described in Condition 7(c) and item 22 of the Terms of the Notes.

Legal Opinions

Whilst legal opinions relating to the issue of the Notes have been obtained with respect to English law and Dutch law, no such opinions have been obtained with respect to any other applicable laws, including the law governing the Collateral Securities or any Eligible Securities or the laws of the jurisdiction of the issuer of the Collateral Securities or as to the validity, enforceability or binding nature of the Collateral Securities as against the obligors thereof or of the Charged Agreement as against the Swap Counterparty.

Limited Recourse

The Notes are limited recourse obligations of the Issuer and are payable solely from the proceeds of the Mortgaged Property. The holders of the Notes will have no right to proceed directly against the obligors in respect of the Mortgaged Property. The Notes do not represent obligations of, nor are they insured or guaranteed by the Trustee, the Swap Counterparty, the Arranger, the Custodian, the Calculation Agent and the Registrar or any of their respective affiliates. None of the Trustee, the Swap Counterparty, the Arranger, the Custodian, the Calculation Agent, the Registrar or any of their respective owners, beneficiaries, agents, officers, directors, employees, affiliates, successors or assigns will, in the absence of an express agreement to the contrary or as otherwise provided by law, be obliged to make payments in respect of the Notes. If distributions on such Mortgaged Property are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following realisation of the Mortgaged Property, no debt shall be owed in respect of any such deficiency.

Terms of the Series 148 EUR 40,000,000 Secured Floating Rate Notes due 2041

The Notes designated as above shall have the following “**Terms**”, which shall complete, modify and/or amend the Master Conditions (which, for the purpose of this Series, shall be deemed to be the terms and conditions set out in the section of the Issuer’s Programme Memorandum dated 22 November 2010 headed “Terms and Conditions of the Notes”), which shall apply to the Notes as so completed, modified and/or amended. References to “**Conditions**” or “**Condition**” are, unless otherwise provided, references to such Master Conditions or a Master Condition as so completed, modified and/or amended by these Terms. Unless the context otherwise requires, expressions used herein and not otherwise defined herein or in the Master Documents shall have the meanings ascribed to them by the provisions of the Charged Agreement (including the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and incorporated by reference into the confirmation with respect to the Charged Agreement).

1. (i) Issuer: ELM B.V.
- (ii) Arranger: UBS Limited.
2. (i) Series Number: 148
- (ii) Tranche Number: Not applicable.
3. Principal Amount: EUR 40,000,000, subject to adjustment pursuant to Special Conditions (II) and (III) below.
4. (i) Issue Price: 100 per cent. of the Principal Amount.
- (ii) Net Proceeds: EUR 40,000,000
5. Authorised Denomination: EUR 100,000
6. (i) Issue Date: 17 June 2011.
- (ii) Interest Commencement Date: Issue Date.
7. Maturity Date: 30 September 2041 subject to adjustment in accordance with the Business Day Convention.
8. Interest Basis: Floating.
9. Redemption/Payment Basis: Redemption at par on the Maturity Date, subject as otherwise provided herein.
10. Change of Interest or Redemption/Payment Basis: Not applicable.
11. Put/Call Options: Not applicable.
12. Status of the Notes:
 - (i) Status of the Notes: Secured and limited recourse obligations of the Issuer ranking *pari passu* without any preferences amongst themselves, secured as set out under Security below (see item 30) and subject to the

priority set out under Priority below.

- (ii) Priority: Swap Counterparty Priority.
13. Listing: Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. Although the ultimate decision as to whether any application is accepted is at the discretion of the Irish Stock Exchange, all reasonable efforts will be made to ensure that such application to list the Notes is accepted.
14. Method of distribution: Non-syndicated.
15. Fixed Rate Note Provisions: Not applicable.
16. Floating Rate Note Provisions: Applicable.
- (i) Interest Payment Dates: 30 September and 30 March in each year, commencing 30 September 2011 to, and including, the Maturity Date, each such date subject to adjustment in accordance with the Business Day Convention.
- If an Early Redemption Event occurs, no further interest will be calculated or paid from the Interest Payment Date immediately preceding the date of occurrence of such Early Redemption Event or, if none, the Issue Date, and any failure to pay any such interest does not constitute an Event of Default by the Issuer.
- (ii) Business Day Convention: As specified in item 45 below.
- (iii) Manner in which the Interest Rate is to be determined: ISDA Determination in accordance with the provisions specified below.
- (a) Floating Rate Option: EUR-EURIBOR-Reuters.
- (b) Designated Maturity: 6 months, except in the case of the first Interest Period which shall be subject to Linear Interpolation (which term shall be construed in accordance with the 2006 Definitions).
- (c) Reset Dates: Issue Date and each Interest Payment Date thereafter.
- (iv) If Screen Rate Determination: Not applicable.
- (v) Spread: A spread (expressed as a percentage per annum) equal to (a) the sum of each Daily Spread in respect of each day during the relevant Interest Period *divided by* (b) the number of days in such Interest Period.

“Daily Spread” means plus 2.22 per cent. per annum, subject to adjustment pursuant to Special Conditions (II) and (III) below.

- (vi) Spread Multiplier: Not applicable.
 - (vii) Minimum Interest Rate: Not applicable.
 - (viii) Maximum Interest Rate: Not applicable.
 - (ix) Relevant Financial Centre: As specified in item 46 below.
 - (x) Day Count Fraction: 30/360.
 - (xi) Calculation Amount: In respect of each Note, an amount equal to (a) the sum of its outstanding principal amount in respect of each day during the relevant Interest Period *divided by* (b) the number of days in such Interest Period.
 - (xii) Interest Determination Date: The last day of the relevant Interest Period.
 - (xiii) Other terms relating to the method of calculating interest for Floating Rate Notes: Not applicable.
17. Zero Coupon Note Provisions: Not applicable.
18. Index-Linked Interest Note Provisions: Not applicable.
19. Variable Coupon Amount Note Provisions: Not applicable.
20. Dual Currency Note Provisions: Not applicable.
21. Scheduled Redemption Amount: For the purposes of Condition 7(e)(1), the Scheduled Redemption Amount in respect of each Note is an amount equal to its outstanding principal amount.
22. Early Redemption Amount payable on mandatory redemption, redemption for taxation reasons or on termination of the Charged Agreement or on default and the method of calculating the same (if required or if different from that set out in the Conditions): Condition 7(b) shall apply as amended pursuant to Special Condition (I) below.
Early Redemption Amount shall not have the meaning given to it in Condition 7(e)(2) and shall, instead have the following meaning:

“Early Redemption Amount” means, each Note’s *pro rata* share of an amount (determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner) equal to the Liquidation Proceeds (as defined below) of the Charged Assets less an amount equal to the

Unwind Costs (if the Unwind Costs are a positive amount) or plus an amount equal to the absolute value of the Unwind Costs (if the Unwind Costs are a negative amount). For the avoidance of doubt, the Noteholders' right to receive an amount equal to the Early Redemption Amount upon the Notes falling due for redemption prior to the Maturity Date is dependent on the amount of available funds realised in accordance with this item 22 and/or Condition 4(c) and as applied in accordance with Condition 4(d) and item 12(ii) above and any shortfall shall be borne by the Noteholders according to such order of priority.

“Liquidation Proceeds” means, with respect to the Charged Assets, (i) to the extent that the Charged Assets comprise cash, the amount of such cash and (ii) to the extent that the Charged Assets comprise assets other than cash, the proceeds of sale of such Charged Assets by the Calculation Agent pursuant to the Sale Provisions (as defined below); provided that if an Event of Default (as defined in the Charged Agreement) has occurred and is continuing with respect to the Swap Counterparty, the Liquidation Proceeds shall be the proceeds of realisation of the Charged Assets by the Trustee in accordance with Condition 4(c). Accordingly, Condition 4(c) shall only apply with respect to the realisation of the Mortgaged Property to the extent that an Event of Default (as defined in the Charged Agreement) has occurred and is continuing with respect to the Swap Counterparty and, to the extent that Condition 4(c) shall not apply, the reference in Condition 7(e)(3) to receipt of the proceeds of realisation of the Mortgaged Property following enforcement of the security for the Notes shall be construed as a reference to receipt of the Liquidation Proceeds by the Calculation Agent and their credit to the Collateral Account in accordance with the Sale Provisions.

“Sale Provisions” means the provisions applicable to the sale of any Charged Assets by the Calculation Agent pursuant to this item 22 in accordance with the following paragraph. Furthermore, provided that no Event of Default (as defined in the Charged Agreement) has occurred and is continuing with respect to the Swap Counterparty, the following paragraph shall also apply to the sale of any Eligible Securities which have been transferred by the Swap Counterparty pursuant to the Credit Support Annex and are held by or on behalf of the Issuer to the extent that such Eligible Securities are not required to be transferred to the Swap Counterparty pursuant to the Credit Support Annex. Any such Charged Assets and Eligible Securities are referred to below

as **“Sale Securities”**.

The Calculation Agent shall use all reasonable efforts to sell the relevant Sale Securities at its best execution price, but, subject as aforesaid, shall not be liable for the price obtained by it, nor shall the Calculation Agent be required to delay any sale of the relevant Sale Securities in anticipation that a better price might be obtained. The Custodian shall deliver any Sale Securities sold by the Calculation Agent as aforesaid in accordance with the instructions of the Calculation Agent and shall be entitled to rely absolutely without enquiry on such instructions and shall not be liable for so doing, other than in the case of gross negligence, fraud or wilful default. The Calculation Agent shall credit the proceeds of sale of such Sale Securities (converted, if necessary, into EUR at the then prevailing relevant foreign exchange rate) to the Collateral Account pending their application in accordance with Condition 4(d) and the Priority specified in item 12(ii).

Also, provided that no Event of Default (as defined in the Charged Agreement) has occurred and is continuing with respect to the Swap Counterparty, the Calculation Agent shall, if an Early Redemption Amount becomes payable by the Issuer pursuant to this item 22, exchange any Eligible Credit Support comprising cash (other than EUR) held by or on behalf of the Issuer and which is not required to be transferred to the Swap Counterparty into EUR at the then prevailing relevant foreign exchange rate.

“Unwind Costs” means an amount in EUR which is the aggregate of:

(a) any costs incurred by the Calculation Agent in relation to the liquidation of the Sale Securities;

(b) an amount (if any) equal to the cost to the Swap Counterparty (as a positive number) in relation to the termination of the Swap Transaction, or the benefit to the Swap Counterparty (as a negative number) in relation to the termination of the Swap Transaction; provided that any such amount (if a positive number representing the cost of termination to the Swap Counterparty) shall be reduced by an amount equal to the market value of any Eligible Credit Support transferred pursuant to the Credit Support Annex to, and held by, the Swap Counterparty to the extent not required to be transferred by the Swap Counterparty to the Issuer;

(c) any costs or other amounts incurred by or payable to, and not otherwise recovered, by the

Trustee or the Issuer in relation to the early redemption of the Notes and/or the liquidation of the Mortgaged Property.

All such costs shall be determined by the Calculation Agent in its sole and absolute discretion and acting in good faith and in a commercially reasonable manner.

23. Form of Notes:
- (i) Bearer Notes: Not applicable.
 - (ii) Registered Notes: Applicable: Global Registered Certificate exchangeable for definitive Registered Certificates at any time in the limited circumstances specified in the Global Registered Certificate.
 - (iii) TEFRA: Not applicable.
24. (i) New Global Note Not applicable.
- (ii) New Global Note intended to be held in a manner which would permit the Notes to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the “**Eurosystem**”) Not applicable.
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: Not applicable.
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No.
27. Details relating to Partly Paid Notes: Not applicable.
28. Details relating to Instalment Notes: Not applicable.
29. Redenomination applicable: Not applicable.
30. Security:
- (i) Charged Assets: The Charged Assets shall comprise the Collateral Securities for as long as the Collateral Securities are outstanding and any cash (including any Additional Collateral (as defined in Special Condition (II) below)) standing to the credit of the Collateral Account.

“**Collateral Securities**” means the following

securities:

Issuer:	Republic of Italy
Rating:	Aa2/A+/AA-
ISIN:	IT000454589
Coupon:	2.55%
Maturity:	15 September 2041
Original Issue	
Amount:	EUR 6,412,760,000

The Collateral Securities are inflation linked obligations, the indexed principal amount of which on any date (the “**Indexed Principal Amount**”) is determined, for these purposes, as the product of EUR 40,000,000 and the ratio of the Eurostat Eurozon HICP Ex Tobacco as most recently displayed on the Bloomberg page CPTFEMU <INDEX> (the “**Index**”) as of that date and the initial fixing level of the Index as specified in the terms of the Collateral Securities.

As at the Issue Date, the outstanding principal amount of the Collateral Securities held in the Collateral Account shall be EUR 40,000,000.

The Custodian shall credit the proceeds of redemption of the Collateral Securities to the Collateral Account and, thereupon, such proceeds and the Issuer’s rights against the Custodian with respect to such proceeds shall be comprised in the Charged Assets for this Series of Notes.

Any Additional Collateral to be transferred to the Issuer pursuant to Special Condition (II) shall be credited by the Custodian to the Collateral Account and any Additional Collateral to be transferred by the Issuer pursuant to Special Condition (III) shall be debited by the Custodian from the Collateral Account.

The Charged Assets held by or on behalf of the Issuer may be reduced from time to time (to an amount not less than zero) to the extent that they are transferred to the Swap Counterparty pursuant to the Credit Support Annex.

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| (ii) | Replacement: | Condition 4(f)(1) shall not apply. |
| (iii) | Substitution: | Condition 4(f)(2) shall not apply. |
| (iv) | Custodian: | UBS AG, London Branch. |

Sub-Custody is applicable and, if the Custodian

chooses to hold all or any of the Charged Assets through a sub-custodian, the specified Sub-Custodian shall be UBS Limited (or any successor thereof).

- (v) Charging Instrument: Not applicable.
- (vi) Depository Account: Each account of the Custodian and/or the Sub-Custodian in which the Collateral Securities are held from time to time.
- (vii) Collateral Account: A securities account together with a cash account both opened on behalf of the Issuer with the Custodian. The Collateral Account shall record the Custodian's holding of the Charged Assets by reference to the Issuer and to this Series so that the Charged Assets shall be segregated from the Custodian's own assets and assets that the Custodian is holding for other clients or in respect of other Series.

The Custodian shall separately record the Issuer's holding of Additional Collateral and also the amount (if any) of Additional Collateral transferred to the Swap Counterparty pursuant to the Credit Support Annex so that (among other reasons) upon any exercise by the Noteholder(s) of the Downsize Option pursuant to Special Condition (III) below) the amount of Additional Collateral can be distinguished.

Cash standing to the credit of the Collateral Account shall accrue interest from day to day at such rate, and which shall be payable on such dates, as the Custodian shall determine in its sole and absolute discretion.
- (viii) Charged Agreement: An agreement under the Master Swap Terms made between the Swap Counterparty and the Issuer and dated 17 June 2011 together with (a) a confirmation thereunder in respect of a collateral swap transaction (such transaction, the "**Swap Transaction**") between the same parties as of the same date and (b) an ISDA credit support annex (Bilateral Form-Transfer) (English Law) (the "**Credit Support Annex**") dated as of the same date and entered into solely with respect to the Swap Transaction.
- (ix) Swap Counterparty: UBS AG, London Branch.
- (x) Other: The Mortgaged Property shall also include all Eligible Credit Support which may be transferred pursuant to the Credit Support Annex by the Swap Counterparty to the Issuer. Any such Eligible Credit Support shall be held by the Custodian (either directly or through the Sub-Custodian) on

behalf of the Issuer and segregated from the Charged Assets.

“Eligible Credit Support” means, with respect to the Swap Counterparty, either cash in an Eligible Currency (being GBP, USD, EUR, JPY, CHF, CAD) or debt obligations denominated in an Eligible Currency and issued by the issuer of the Collateral Securities with a maturity less than or equal to the maturity of the Collateral Securities and which are not subordinated in priority of payment to the Collateral Securities (such securities, **“Eligible Securities”**).

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| 31. | Securities Lending Agreement: | Not applicable. |
| 32. | Credit Event Provisions: | Not applicable. |
| 33. | (i) If syndicated, names of Managers: | Not applicable. |
| | (ii) Stabilising Manager (if any): | Not applicable. |
| 34. | Additional selling restrictions: | None. |
| 35. | ISIN Code: | XS0634910805 |
| 36. | Common Code: | 063491080 |
| 37. | Alternative Clearing System: | None. |
| 38. | Delivery: | Delivery against payment. |
| 39. | (i) Principal Paying Agent/Paying Agent: | Not applicable. |
| | (ii) Registrar: | UBS AG, London Branch. |
| 40. | Sub-Custody: | See item 30(iv) above. |
| 41. | Calculation Agent: | UBS AG, London Branch. |
| 42. | Exchange of Permanent Global Note: | Not applicable. |
| 43. | Additional Business Day: | Not applicable. |
| 44. | Business Days: | Each day which is a day on which TARGET2 is operating and on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London. Each Business Day shall be a Relevant Business Day for the purpose of Condition 6(b). |
| 45. | Business Day Convention: | Modified Following Business Day Convention. |

46. Relevant Financial Centre: Has the meaning given to it in Condition 6(j).

Special Conditions:

(I) Mandatory Redemption Event

Condition 7(b) shall be deleted and replaced with the following:

If a Mandatory Redemption Event or a Collateral Tax Event or a Market Value Termination Event occurs then the Notes shall become due and repayable as provided in this Condition 7(b) and item 22 of the Terms of the Notes as of the relevant Mandatory Redemption Date (as defined below). The Issuer shall give notice to the Noteholders in accordance with Condition 14 that the Notes are due and repayable at the amounts and/or in the manner specified in item 22 above as soon as reasonably practicable after becoming aware of such event or circumstance (the date of such notice, the “**Mandatory Redemption Date**”).

Each of the following events shall constitute a “**Mandatory Redemption Event**” in respect of any Collateral Securities comprised in the Charged Assets or any Eligible Securities comprised in the Issuer’s Credit Support Balance (as defined in the Credit Support Annex) (each such securities, “**Relevant Securities**”):

(1) failure by the obligor thereof to pay any amount of interest, principal or other amount in respect of the Relevant Securities strictly in accordance with the Terms and Conditions of such Relevant Securities; or

(2) the Relevant Securities being declared or become capable of being declared due and payable prior to the maturity date scheduled in their Terms and Conditions for any reason whatsoever; or

(3) the Terms and Conditions of any of the Relevant Securities are revised or supplemented or amended so that payments of principal, interest or any other amounts due will be reduced or not be paid on or prior to the dates or in the amounts or in the order of priority or in the currency of composition set out in the original terms and conditions in place as at the issue date of such Relevant Securities; or

(4) a change in the ranking in priority of payment in respect of any Relevant Securities, causing the subordination of such Relevant Securities to any other Relevant Securities.

“**Collateral Tax Event**” means, with respect to the Relevant Securities, that a payment is made or is expected to be made subject to a withholding or deduction for or on account of any tax and an additional amount (howsoever defined) is not payable by the relevant issuer or guarantor such that the amount required to be paid is equal to the amount that would have been payable but for such withholding or deduction.

“**Market Value Termination Event**” means, following the occurrence of a Market Value Event and a Market Value Event Notice having been given, the failure by the 100% Noteholder to exercise the Upsize Option or to pay to the Issuer an amount equal to the relevant Upsize Amount during the relevant Upsize Option Settlement Period, in each case in accordance with Special Condition (II) below.

None of the Issuer, any Paying Agent, the Trustee, the Custodian, the Swap Counterparty or the Calculation Agent (nor any person on their behalf) shall have any duty or responsibility to investigate or check whether any Mandatory Redemption Event or Collateral Tax Event or Market Value Termination Event has occurred.

For the purposes of the foregoing provision, “**Terms and Conditions**” means, in respect of Relevant Securities, the terms and conditions thereof as at the time of the relevant occurrence or event giving rise to the relevant Mandatory Redemption Event.

(II) Upsize Option

If at any time the Calculation Agent determines, in its sole and absolute discretion, that a Market Value Event has occurred, the Calculation Agent shall, on behalf of the Issuer, give notice to the Noteholders of such determination and of the relevant Upsize Amount as soon as reasonably practicable thereafter (such notice, a “**Market Value Event Notice**” and the date on which such notice (which shall be given in accordance with Condition 14 or as otherwise agreed to the mutual satisfaction of the Calculation Agent (on behalf of the Issuer) and the Noteholders) is given, the “**Market Value Event Notice Date**”).

For the purposes of the above:

“**Market Value Event**” means an event that shall occur if the Calculation Agent determines (in its sole discretion) that the amount by which the market value of the Charged Assets exceeds the mark-to-market value of the Swap Transaction to the Swap Counterparty is less than or equal to the Market Value Event Trigger.

“**Market Value Event Trigger**” means an amount equal to 20% of the Indexed Principal Amount (as defined in item 30(i) of the Terms above).

“**Upsize Amount**” means, with respect to any Market Value Event, an amount determined by the Calculation Agent equal to the greater of (i) 30% of the Indexed Principal Amount and (ii) the amount by which the amount of the Charged Assets would be required to increase in order that such Market Value Event shall no longer occur.

If a Market Value Event Notice is given, the holder (or holders, acting together) of all of the Notes (the “**100% Noteholder**”) shall have the option (the “**Upsize Option**”) to increase the Principal Amount of the Notes by an amount equal to the relevant Upsize Amount. In order to exercise the Upsize Option, the 100% Noteholder shall notify the Calculation Agent (acting on behalf of the Issuer) on or before the second Business Day following the receipt of the Market Value Event Notice in writing (in such form and manner as shall be reasonably acceptable to the Calculation Agent and including evidence to the satisfaction of the Calculation Agent as to the holding of the 100% Noteholder (provided that the Calculation Agent may assume that the person(s) purporting to be the 100% Noteholder is/are the holder of all the Notes and shall not be liable for so doing)) that it wishes to exercise the Upsize Option and the Calculation Agent shall as soon as reasonably practicable provide such 100% Noteholder with details of the account of the Issuer to which the Upsize Amount shall be paid by the 100% Noteholder. If an amount equal to the Upsize Amount is credited to such account on or before the third Business Day following the Market Value Event Notice Date (such period from and including the Market Value Event Notice Date to and including the third Business Day thereafter being the “**Upsize Option Settlement Period**”) then with effect as of the date of such receipt:

- (i) the Principal Amount shall be increased by the Upsize Amount (and the outstanding principal amount of each Note shall be increased proportionately);
- (ii) the Spread with respect to the Interest Rate in respect of the Notes shall be adjusted such that the market value of the Swap Transaction to the Swap Counterparty following such receipt shall increase by an amount equal to the market value of the Reference Swap (as defined in Special Condition (IV) below) to the Issuer, such adjustment as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner; and
- (iii) the amount equal to the Upsize Amount received shall be credited by the Custodian to the Collateral Account and shall comprise “**Additional Collateral**” in respect of the Notes.

Noteholders should be aware that for as long as the Notes are in global form, unless otherwise agreed to the mutual satisfaction of the Calculation Agent (on behalf of the Issuer) and the Noteholders, any Market Value Event Notice shall be effectively given when sent by the Calculation Agent (on behalf of the Issuer) to Euroclear and Clearstream, Luxembourg for onward transmission to entitled account holders. Neither the Issuer nor the Calculation Agent nor any other person shall be responsible for ensuring that such account holders receive such notice in a timely manner. Accordingly, any delays in onward transmission or any delays in relevant account holders taking appropriate action upon receipt of transmission could result in the 100% Noteholder failing to exercise the Upsize Option or to pay an amount equal to the relevant Upsize Amount before the expiry of the Upsize Option Settlement Period, which would lead to the early redemption of the Notes.

Noteholders should also be aware that regardless of the person or persons who may have paid to the Issuer an amount equal to the Upsize Amount in connection with the exercise of the Upsize Option, such amount is repayable (either as part of the Scheduled Redemption Amount or the Early Redemption Amount of the Notes, or pursuant to Special Condition (III) below) on a pro rata basis to all of the Noteholders as at the relevant date for redemption of the Notes.

(III) Downsize Option

If Additional Collateral has been transferred to the Issuer pursuant to Special Condition (II) above and not paid to the Noteholders pursuant to this Special Condition (III) (the amount of Additional Collateral not so paid, the “**Additional Collateral Balance**”) then the 100% Noteholder shall have the option (the “**Downsize Option**”) to decrease the Principal Amount of the Notes by an amount equal to the relevant Downsize Amount.

For the purposes of the above:

“**Downsize Amount**” means an amount selected by the 100% Noteholder that is an amount not greater than the Additional Collateral Balance and which if paid to the Noteholders in accordance with this Special Condition (III) would not, in the determination of the Calculation Agent, cause the amount by which the market value of the Charged Assets exceeds the mark-to-market value of the Swap Transaction to the Swap Counterparty to be less than 30% of the Indexed Principal Amount.

In order to exercise the Downsize Option, the 100% Noteholder shall notify the Calculation Agent (acting on behalf of the Issuer) in writing (in such form and manner as shall be reasonably acceptable to the Calculation Agent and including evidence to the satisfaction of the Calculation Agent as to the holding of the 100% Noteholder (provided that the Calculation Agent may assume that the person(s) purporting to be the 100% Noteholder is/are the holder of all the Notes and shall not be liable for so doing)) that it wishes to exercise the Downsize Option and of the relevant Downsize Amount. With effect as of the 10th Business Day after the receipt by the Calculation Agent of such notice (the “**Downsize Redemption Date**”):

- (i) the Principal Amount shall be decreased by the Downsize Amount (and the outstanding principal amount of each Note shall be decreased proportionately); and
- (ii) the Spread with respect to the Interest Rate in respect of the Notes shall be adjusted such that the market value of the Swap Transaction to the Swap Counterparty following the Downsize Redemption Date shall decrease by an amount equal to the market value of the Reference Swap (as defined in Special Condition (IV) below) to the Issuer, such adjustment as determined by the

Calculation Agent acting in good faith and in a commercially reasonable manner,
and

the Notes shall be partially redeemed by payment to the Noteholders on a *pro rata* basis of an amount equal to the relevant Downsize Amount.

(IV) Certain Definitions

“Reference Swap” means a notional swap between the Issuer and the Swap Counterparty for a term equal to the period from and including the relevant date of exercise of the Upsize Option or Downsize Option (as applicable) to and including the Maturity Date whereby the Swap Counterparty pays to the Issuer a floating rate determined on the basis of the Interest Rate due under the Terms of the Notes immediately prior to the exercise of the Upsize Option or Downsize Option (as applicable), on a notional amount equal to the Upsize Amount or the Downsize Amount (as applicable) and the Issuer pays to the Swap Counterparty a floating rate determined on the basis of the amount of interest payable (such rate of interest to be the rate applied by the Custodian to overnight deposits in EUR from time to time, typically EONIA flat) on an amount equal to the Upsize Amount or Downsize Amount (as applicable).

Description of the Charged Agreement

The Charged Agreement comprises the swap agreement entered into by the Issuer and the Swap Counterparty by their execution of the Constituting Instrument relating to the Notes on the terms of the ISDA 1992 form of Master Agreement (Multicurrency – Cross Border), as amended by the schedule set out in the Master Swap Terms (August 2008 Edition)) incorporated by reference into such Constituting Instrument and a confirmation (which is set out below) of a swap transaction (the “**Swap Transaction**”). Reference should also be made to item 30(viii) of the Terms of the Notes.

The Issuer has assigned by way of fixed security in favour of the Trustee for itself and as trustee for the Noteholders all of the Issuer’s rights, title, benefit and interest in, to and under the Charged Agreement and any sums and any other assets derived therefrom.

Payments to the Noteholders under the Notes are entirely contingent on the full and timely performance of the obligations of the Swap Counterparty under the Charged Agreement.

The form of confirmation in respect of the Swap Transaction is set out in full below. The Master Swap Terms comprised in the Charged Agreement in respect of the Notes include the following provisions:

- (A) The transaction comprised in the Charged Agreement will be capable of termination at the option of the Issuer upon the occurrence of any of the following events of default in relation to the Swap Counterparty: failure to pay or deliver, breach of agreement, misrepresentation, bankruptcy and merger without assumption (as such events are more particularly described in the Master Swap Terms). The transaction comprised in the Charged Agreement will be capable of termination at the option of the Swap Counterparty upon the occurrence of any of the following events of default in relation to the Issuer: failure to pay or deliver and bankruptcy (as such events are more particularly described in the Master Swap Terms).
- (B) In the event that it becomes unlawful for either the Issuer or the Swap Counterparty to perform its obligations under the transaction comprised in the Charged Agreement, either the Issuer or the Swap Counterparty (or both) may have the right to terminate such transaction.
- (C) In the event that a withholding or deduction is, or there is a substantial likelihood that a withholding or deduction will be, imposed on any payment to be made by either the Issuer or the Swap Counterparty to the other under the transaction comprised in the Charged Agreement, neither party is obliged to gross up such payment and the party who has received, or would receive, such payment net of such withholding or deduction may have the right to terminate the transaction.
- (D) In the event that a withholding or deduction will be imposed on any payment to be made to the Issuer under a transaction comprised in the Charged Agreement as a result of a merger event affecting the Swap Counterparty, the Issuer may have the right to terminate the transaction.
- (E) If at any time the Notes become repayable in full prior to the Maturity Date, the transaction comprised in the Charged Agreement shall terminate automatically.
- (F) If the Notes are repurchased by the Issuer pursuant to Condition 7(g) and cancelled, a proportionate part of the transaction comprised in the Charged Agreement will terminate.
- (G) In the event that a payment due in respect of the Charged Assets is, or would be required to be, made to the Issuer (or the Custodian on behalf of the Issuer) subject to a withholding or deduction for or on account of any tax as a result of a change in any tax law

or the interpretation of any tax law after the Issue Date which is not grossed up by the Charged Assets obligor, then the Swap Counterparty has the right to terminate the transaction.

In the event of any such termination of the Swap Transaction an amount may be payable by the Issuer to the Swap Counterparty or by the Swap Counterparty to the Issuer (which shall comprise part of the Unwind Costs as applicable (as defined in item 22 of the Terms of the Notes)).

In the event of any inconsistency between the Master Swap Terms and the terms of the confirmation in respect of the Swap Transaction, the terms of such confirmation shall prevail.

If the Charged Agreement is terminated (in whole but not in part and other than as a consequence of the Notes having otherwise fallen due for redemption), the Notes will fall due for redemption. Upon the Notes falling due for redemption in such circumstances, the amount payable in respect of the Notes shall be as set out in item 22 of the Terms of the Notes. In particular, it should be noted that Swap Counterparty Priority applies (meaning that claims of the Noteholders will rank behind those of the Trustee, any receiver appointed pursuant to the Trust Deed in respect of the Notes and the Swap Counterparty).

The Charged Agreement is governed by and shall be construed in accordance with English law.

Form of Confirmation of Swap Transaction

UBS AG, London Branch
100 Liverpool Street
London EC2M 2RH
(**"UBS"**)

ELM B.V.
Prins Bernardplein 200
1097 JB Amsterdam
The Netherlands

(**"ELM"**)

Attention: The Directors

Fax No: +31 20 521 4832

17 June 2011

Dear Sirs

The purpose of this letter agreement is to set out the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the **"Swap Transaction"**). This letter agreement constitutes a **"Confirmation"** as referred to in the Agreement (as defined below).

Words and expressions used, but not otherwise defined herein, shall have the same meaning ascribed to them (or incorporated by reference) in the Terms and Conditions of ELM's Series 148 EUR 40,000,000 Secured Floating Rate Notes due 2041 (the **"Notes"**).

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will prevail.

1. **Swap Agreement**

This Confirmation supplements, forms part of, and is subject to, the Swap Agreement relating to the Notes dated as of today's date between us and you (as the same may be amended or supplemented from time to time, the **"Agreement"**). All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. **Terms of Swap Transaction**

The terms of the particular Swap Transaction to which this Confirmation relates are as follows:-

Trade Date : 27 May 2011

Effective Date : Issue Date.

Termination Date	:	The Maturity Date.
Calculation Agent	:	UBS.
Business Days	:	London and TARGET Settlement Date
<u>Initial Exchange</u>		
UBS Initial Exchange Amount	:	UBS delivers with full title guarantee the Collateral Securities and pays an amount equal to EUR 2,250.
ELM Initial Exchange Amount	:	EUR 40,000,000, being an amount equal to the Issue Price multiplied by the Principal Amount of the Notes.
Initial Exchange Date	:	Effective Date.
<u>Fixed and Floating Payments</u>		
Fixed and Floating Rate Payer	:	ELM.
Fixed and Floating Rate Payer Fixed and Floating Amounts	:	Amounts equal to interest amounts due under the terms of the Collateral Securities comprising the Charged Assets from time to time or in respect of cash standing to the credit of the Collateral Account or under the terms of Paragraph 5(c) of the Credit Support Annex. For the avoidance of doubt, if any such amounts received by ELM are subject to withholding or deduction for or on account of any tax so that ELM receives a net amount, ELM shall be obliged to pay to UBS in respect of such distribution only such net amount.
Fixed and Floating Rate Payer Payment Dates	:	No later than the Business Day following each date an amount of interest is due under the terms of the Collateral Securities from time to time or in respect of cash standing to the credit of the Collateral Account from time to time or under the terms of Paragraph 5(c) of the Credit Support Annex.
Floating Rate Payer	:	UBS.
Floating Rate Payer Payment Dates	:	Interest Payment Dates under the Notes.
Floating Amounts	:	With respect to each Floating Rate Payer Payment Date, an amount equal to the aggregate of the Interest Amounts payable by ELM in respect of the Notes on such Interest Payment Date which is the same as such Floating Rate Payer Payment Date.
<u>Final Exchange</u>		
UBS Final Exchange Amount	:	An amount equal to the aggregate Scheduled Redemption Amount payable in respect of all the

Notes on the Maturity Date.

ELM Final Exchange Amount : On the Final Exchange Date, ELM shall transfer to UBS all of the Charged Assets on such date (provided that it is not impossible, illegal or impracticable for ELM to deliver the same, and subject to all applicable laws, regulations and directives and to the terms of the Charged Assets and subject to UBS bearing all costs and expenses (including tax) relating to the same).

Final Exchange Date : The Termination Date.

3. **Settlement of Payments on Early Termination**

If an Early Termination Date is designated in respect of this Transaction other than as a result of an Event of Default and if a termination payment is due to UBS as a consequence, UBS shall be entitled to elect that Paragraph 6 of the Credit Support Annex shall apply as if such Early Termination Date were designated as a result of an Event of Default.

4. **Account Details**

Payments/Deliveries to UBS : to be advised

Payments/Deliveries to ELM : to be advised

Please confirm that the foregoing correctly sets out the terms of our agreement by executing two copies of this Confirmation and returning one duly executed copy to us at your earliest convenience.

Yours sincerely

UBS AG, LONDON BRANCH

By:
Authorised Signatory

By:
Authorised Signatory

Accepted and confirmed as
of the date written above:

ELM B.V.

By:
Authorised Signatory

Description of the Collateral Securities

The following information has been produced on the basis of information available to the Issuer. Such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer's responsibility for such information is limited to the correctness of its extraction. Furthermore, the issuer of the Collateral Securities does not accept any responsibility or liability for the accuracy or completeness of the information set out below. The following information and other information contained in this Series Memorandum relating to the Collateral Securities is a summary only of certain terms and conditions.

Collateral Securities:	EUR 40,000,000 in principal amount of the 2.55% BTP due 15 September 2041 (ISIN: IT000454589). The Collateral Securities are inflation linked obligations, the indexed principal amount of which on any date is determined as the product of EUR 40,000,000 and the ratio of the Eurostat Eurozone HICP Ex Tobacco as most recently displayed on the Bloomberg page CPTFEMU <INDEX> (the "Index") as of that date and the initial fixing level of the Index as specified in the terms of the Collateral Securities.
Issuer of Collateral Securities:	Republic of Italy
Registered Address:	The Ministry of Economy and Finance – Public Debt, Via XX Settembre 97, 00187 Rome, Italy
Country of Incorporation:	Italy
Description of business/principal activities:	Sovereign state
Listing:	The Issuer of the Collateral Securities has securities listed on the Luxembourg Stock Exchange.
Governing Law:	Italian Law

As at the Issue Date, the outstanding principal amount of the Collateral Securities shall be EUR 40,000,000. The outstanding principal amount of the Collateral Securities held by the Issuer may be reduced from time to time (to an amount not less than zero) to the extent that Collateral Securities are transferred to the Swap Counterparty pursuant to the Credit Support Annex.

Use of Proceeds

The net proceeds of the issue of the Notes, being the sum of EUR 40,000,000, will be used by the Issuer in order to make an initial exchange under the Charged Agreement on the Issue Date. The Swap Counterparty has a corresponding obligation to transfer the Collateral Securities to the Issuer.

Information relating to the Issuer

1. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was duly authorised by a resolution of the board of directors of the Issuer dated 17 June 2011.

2. Interests of Natural and Legal Persons in the Issue

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

3. Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since 31 December 2009, being the date of the Issuer's last published audited financial statements.

4. Litigation

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

5. Documents Available

Copies of the following documents will be available for inspection by physical means during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and the specified office of the Registrar in London for so long as any of the Notes shall remain outstanding:

- (i) this Series Memorandum and the Programme Memorandum;
- (ii) the Constituting Instrument dated 17 June 2011 and the Charged Agreement constituted thereby;
- (iii) the Memorandum and Articles of Association of the Issuer; and
- (iv) the audited financial statements of the Issuer for the financial year ending on 31 December 2009.

6. Clearing Systems and Settlement

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg or such other clearing system approved by the Issuer and the Trustee. The common code and ISIN for the Notes, will be 063491080 and XS0634910805 respectively.

7. Post Issuance Reporting

The Issuer does not intend to provide post-issuance transaction information. However, the Arranger or its affiliates may provide certain periodic reports to Noteholders from time to time, as may be agreed between them.

8. Estimated Total Expenses

The Arranger has agreed to take responsibility for the expenses relating to the admission to trading and therefore the cost of such expenses to the Issuer is nil.

9. Withholding taxes

The Issuer is not required to gross up any amounts payable by it in respect of any withholding tax and, accordingly, assumes no responsibility for the effect of any taxes withheld at source.

Information relating to UBS AG, London Branch

The Swap Counterparty accepts sole responsibility for the following information. To the best of the knowledge and belief of the Swap Counterparty the information contained in this section is in accordance with the facts and does not omit anything likely to affect the import of such information. None of the Issuer, the Trustee, or any other person has verified, or accepts any liability whatsoever for the accuracy of such information and prospective investors should make their own independent investigations into the Swap Counterparty.

The Swap Counterparty is the London Branch of UBS AG (UBS AG in this section, the “**company**” and together with its subsidiaries, “**UBS**”).

Corporate Information

The legal and commercial name of the company is UBS AG. The company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basle-City on that day. On 8 December 1997, the company changed its name to UBS AG. The company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basle-City. The registration number is CH-270.3.004.646-4.

UBS AG is incorporated and resident in Switzerland and operates under Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

On 31 March 2011 UBS's BIS Tier¹ ratio was 17.9%, invested assets stood at CHF 2,198 billion, equity attributable to UBS shareholders was CHF 46,695 million and market capitalization was CHF 63,144 million. On the same date, UBS employed 65,396 people².

The rating agencies Standard & Poor's Inc. ("Standard & Poor's"), Fitch Ratings ("Fitch") and Moody's Investors Service Inc. ("Moody's") have assessed the creditworthiness of UBS, i.e. the ability of UBS to fulfil payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing, in a timely manner. The ratings from Fitch and Standard & Poor's may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS has long-term senior debt ratings of A+ (outlook stable) from Standard & Poor's, Aa3 (outlook negative) from Moody's and A+ (outlook stable) from Fitch.

The address and telephone number of UBS's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 20 50.

UBS shares are listed on the SIX Swiss Exchange and the New York Stock Exchange.

According to Article 2 of the Articles of Association of UBS AG the purpose of UBS is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, service and trading activities in Switzerland and abroad.

¹ BIS Tier 1 ratio is the ratio of eligible Tier 1 capital to BIS risk-weighted assets, calculated under Basel II standards. Eligible Tier 1 capital comprises paid-in share capital, share premium, retained earnings including current year profit, foreign currency translation, trust preferred securities (innovative and non-innovative capital instruments) and non-controlling interests, less deductions for treasury shares and own shares, goodwill and intangibles and other deduction items such as for certain securitization exposures. It excludes own credit effects on liabilities designated at fair value, which are reversed for capital purposes.

² Full-time equivalents.

Where Investors Can Find More Information

UBS files periodic reports (including Annual Reports on the U.S. Security Exchange Commission's Form 20-F) and other information with the Commission and investors are referred to such reports and other information for current information with respect to UBS. Investors may read and copy any document that UBS AG files with the Commission at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the operation of its public reference room. The Commission also maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information about issuers like UBS AG that file electronically with the Commission. You may also inspect UBS AG's Commission reports and other information at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 and at the American Stock Exchange LLC, 86 Trinity Place, New York, New York 10006.

Information relating to the Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

REGISTERED OFFICE OF THE ISSUER

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**REGISTRAR, SWAP COUNTERPARTY,
CALCULATION AGENT AND CUSTODIAN**

UBS AG, London Branch

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