

**Indicative Termsheet - For Discussion Purposes Only**  
**Credit Derivative Transaction**  
**Physical Settlement**

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**Date:** 13 November 2002  
**To:** ABC Bank (“Counterparty”)  
**From:** XYZ Bank  
**Re:** Credit Derivative Transaction

**Attention:**

**Fax No:**

**Our Ref:**

**C'pty Ref:**

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The purpose of this document (this "Indicative Termsheet") is to confirm the terms and conditions of the Credit Derivative Transaction entered into between us on the Trade Date specified below (the "Transaction").

**This Indicative Termsheet does NOT constitute a "Confirmation".**

The definitions and provisions contained in the 1999 ISDA Credit Derivatives Definitions, as supplemented by the Supplement Relating to Convertible, Exchangeable or Accreting Obligations dated the 9th November 2001, and (the “Credit Derivatives Definitions”), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Indicative Termsheet.

The terms of the Transaction to which this Indicative Termsheet relates are as follows:

**1. General Terms**

Trade Date:	13 November 2002
Effective Date:	14 November 2002
Scheduled Termination Date:	14 November 2007
Floating Rate Payer:	XYZ (Seller)
Fixed Rate Payer:	ABC Bank (Buyer)
Calculation Agent:	Seller
Calculation Agent City:	London
Business Day:	New York and London
Business Day Convention:	Modified Following (which shall apply to any date referred to in this Confirmation, other than the Effective Date, that falls on a day that is not a Business Day).
Reference Entity:	Republic of Italy - OECD Euro Sovereign

**Reference Obligation**

Primary Obligor:	Reference Entity
Guarantor:	None
Coupon:	6%
Maturity Date:	22 February 2011
ISIN/Cusip Number:	XS0125141316
Original Issue Amount:	USD 2,000,000,000
Reference Price:	100%

**2. Fixed Payments**

Fixed Rate Payer Calculation Amount:	USD 50,000,000
Fixed Rate Payer Payment Dates:	14 February 2003 and thereafter each 14 February, 14 May, 14 August and 14 November
Fixed Rate:	0.11 % per annum
Fixed Rate Day Count Fraction:	Actual/360

**3. Floating Payment**

Floating Rate Payer Calculation Amount: USD 50,000,000

*Conditions to Payment:* Credit Event Notice

Notifying Party: Buyer or Seller

Notice of Intended Physical Settlement

Notice of Publicly Available Information: Applicable

Public Sources: Standard Public Sources .

Specified Number: Two

**4. Credit Events**

**The following Credit Events shall apply to this Transaction:**

Failure To Pay

Grace Period Extension: Not Applicable

Payment Requirement: USD 1,000,000 (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay ).

Obligation Acceleration  
Repudiation/Moratorium  
Restructuring

Default Requirement: USD 10,000,000 (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event).

Obligations:	<b>Obligation Category:</b>	<b>Obligation Characteristics:</b>
	Borrowed Money	None Specified

## 5. Settlement Terms

Settlement Method:	Physical Settlement
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*Physical Settlement Terms*

Physical Settlement Period:	30 Business Days
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Portfolio:	Exclude Accrued Interest
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<b>Deliverable Obligations:</b>	<b>Deliverable Obligation Category:</b>	<b>Deliverable Obligation Characteristics:</b>
	Bond or Loan	Not Sovereign Lender

Specified Currency (Standard Specified Currencies)  
 Consent Required Loan  
 Assignable Loan  
 Not Bearer  
 Not Contingent  
 Transferable  
 Maximum Maturity 30 Years

Excluded Deliverable Obligations:	Not Applicable
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Partial Cash Settlement of Loans: Not Applicable

Escrow: Applicable

**6. Dispute Resolution** Section 10.2 of the Credit Derivatives Definitions shall apply

**7. Offices**

Floating Rate Payer: (Seller) London

Fixed Rate Payer: (Buyer) London