

Termsheet

Tracker on the "Dynamic Real Income Index" hedged to EUR

Bullish

Open End; issued in EUR; not listed

Investors should read the section "Significant Risks" below as well as the section "Risk Factors" of the relevant Programme.

This Product is a derivative instrument. It does not qualify as unit of a collective investment scheme pursuant to art. 7 et seqq. of the Swiss Federal Act on Collective Investment Schemes (CISA) and is therefore neither registered nor supervised by the Swiss Financial Market Supervisory Authority FINMA. Investors do not benefit from the specific investor protection provided under the CISA.

I. Product Description

Market expectation of the Investor

Price increase of the Underlying.

Product description

The Product (the "Certificate(s)") replicates the price movements in the Underlying and is therefore in terms of risk comparable to a direct investment in the Underlying. At the Redemption Date, the Investor will receive the Certificate Value as at the Final Fixing Date.

The Terms and Conditions of this Product have been adjusted due to Corporate Actions.

| Underlying | | | | | | |
|----------------------------|------------------|-----------------------|-----|-----------------|-------------------|---|
| Underlying | Bloomberg Ticker | Index Sponsor | CCY | FX ₀ | Unit ₀ | Initial Fixing Level (Underlying ₀) |
| Dynamic Real Income Index* | EFGFDR11 Index | Leonteq Securities AG | USD | 0.78505 | 1.27512805 | 998.9618 |

* the Index is calculated by the Index Sponsor, for more details reference is made to Annex II.

| Product Details | |
|------------------------|--|
| Swiss Security Number | 19903849 |
| ISIN | CH0199038495 |
| WKN | EFG2K8 |
| Issue Price | EUR 1'000.00 |
| Issue Size | 20'000 Certificates (can be increased at any time) |
| Settlement Currency | EUR |
| Management Fee (MFee) | 1.50% p.a. |
| Performance Fee (PFee) | 0.00% |

| Dates | |
|---------------------|--|
| Initial Fixing Date | 14/11/2012 |
| Issue Date | 21/11/2012 |
| FX Reset Dates | Monthly, from (and including) 30/11/2012 - Following Business Day Convention applies |
| Observation Dates | Quarterly, from (and including) 31/12/2012 - Following Business Day Convention applies |
| Final Fixing Date | Open-end or in the case of i) an exercise of the Issuer's Termination Right, as specified by the Issuer in its Termination Announcement, subject to Market Disruption Event provisions, or ii) an Investor Redemption, the day on which the Paying Agent receives the duly signed Redemption Notice, subject to Market Disruption Event provisions |
| Redemption Date | The 5 th Business Day following the Final Fixing Date, subject to Settlement Disruption Event provisions |

| | | | | | | |
|-----------------------------------|----------|--|--|--|--|--|
| Initial Fixing Date 14/11/2012 | Open End | | | | | |
| | | | | | | |

Redemption

The Investor is entitled to receive from the Issuer on the Redemption Date a Cash Settlement in the Settlement Currency, equivalent to the Certificate Value, as defined in Annex I, on the Final Fixing Date.

Issuer's Termination Right If the Issuer is unable to replicate his hedge positions for the Underlying or in other cases provided by the Programme he may call all Certificates for Early Redemption with a 10 Business Days notice ("the Termination Notice") at any time by announcement of the exercise of its Termination Right (the "Termination Announcement") on the Paying Agent's website, notifying the Final Fixing Date and the respective Redemption Date. Following such announcement the Certificates will be redeemed on the announced Redemption Date for a value equal to the Certificate Value on the announced Final Fixing Date as determined by the Calculation Agent and reflecting any costs levied onto the Calculation Agent for unwinding its hedge position.

Investor Redemption Each Investor has an annual right, on 31.01., for the first time on 31.01.2013 (Following Business Day Convention will apply) to redeem the Certificates (Minimum Redemption Number), by delivering a duly completed and signed Redemption Notice to the Paying Agent in accordance with General Terms and Conditions 8.4 (notice to be received by the Paying Agent no later than 07.00 am CET on 24.01.). Following such announcement the Certificates will be redeemed on the Redemption Date for a value equal to the Certificate Value on the Final Fixing Date as determined by the Calculation Agent and reflecting any costs levied onto the Calculation Agent for unwinding its hedge position.

General Information

| | |
|-----------------------------------|--|
| Issuer | Leonteq Securities AG, Guernsey Branch |
| Lead Manager/Distributor | Leonteq Securities AG, Zurich, Switzerland |
| Calculation Agent | Leonteq Securities AG, Zurich, Switzerland |
| Paying Agent | Leonteq Securities AG, Zurich, Switzerland |
| Distribution Fees | Relevant Fees (as defined in article 27 of the General Terms and Conditions which are a part of the Programme) |
| Listing/Exchange | Not listed |
| Secondary Market | Daily price indications will be available from 09:15 - 17:15 CET on www.leonteq.com , Thomson Reuters [SIX Symbol]=LEOZ or [ISIN]=LEOZ and Bloomberg [ISIN] Corp or on LEOZ. |
| Quotation Type | Secondary market prices are quoted in the Settlement Currency, per Product. |
| Settlement Type | Cash Settlement |
| Minimum Investment | 1 Certificate(s) |
| Minimum Trading Lot | 1 Certificate(s) |
| Selling Restrictions | <p>No action has been or will be taken to permit a public offering of the Products or possession or distribution of any offering material in relation to the Products in any jurisdiction where such action for that purpose is required. Consequently, any offer, sale or delivery of the Products, or distribution or publication of any offering material relating to the Products, may only be made in or from any jurisdiction in compliance with applicable laws and regulations not imposing any obligations on the Issuing Parties or the Lead Manager.</p> <p>Possible limitations resulting from legal restrictions with regard to cross-border communication and cross-border business concerning the products and related information remain reserved.</p> <p>Most important jurisdictions where the Products may not be publicly distributed are EEA, UK, Hong Kong and Singapore.</p> <p>The Products may not be offered or sold within the United States or to, or for the account or benefit of US persons (as defined in Regulation S).</p> <p>Detailed information on Selling Restrictions is published in the Programme which is available on www.leonteq.com.</p> |
| Clearing | SIX SIS Ltd, Euroclear, Clearstream |
| Depository | SIX SIS Ltd |
| Public Offering | Switzerland |
| Form | Uncertificated Security / Book-entry |
| Governing Law/Jurisdiction | Swiss / Zurich |

The definition "Issuing Party/Parties" as used herein, means the Issuer, as indicated in section "General Information".

Taxation Switzerland

| | |
|--|---|
| Swiss Federal Stamp Duty | For Swiss stamp duty purpose, the Product is treated as analogous to a share/unit in a foreign investment fund. Therefore, the issuance and secondary market transactions are in principle subject to Swiss stamp duty (TK24). |
| Swiss Federal Income Tax (for private investors with tax domicile in Switzerland) | <p>For Swiss income tax purpose, the Product is treated as analogous to a share/unit in a foreign investment fund. The taxable income earned by the Product is annually reported to the Swiss Federal Tax Administration as per the Annual Reporting Date. For private Investors with tax domicile in Switzerland holding the Product as part of their private property, the reported income is subject to the Federal Direct Tax.</p> <p>Annual Reporting Date: 21 November (Following Business Day Convention applies)</p> <p>The tax treatment regarding the cantonal and communal income taxes can differ from the tax treatment regarding the Federal Direct Tax. But in general the income tax treatments are corresponding.</p> |
| Swiss Withholding Tax | The Product is not subject to the Swiss Withholding Tax. |
| EU Savings Tax | For Swiss paying agents, the Product is subject to the EU Savings tax (TK13). |

For Investors resident in a state with whom Switzerland has concluded a bilateral agreement on a final withholding tax (currently in place with Austria and the United Kingdom) and provided the product is held in a custody account with a qualifying Swiss paying agent (deposit bank), any investment income or realised capital gains might be subject to the final withholding tax as laid out in the respective bilateral agreement. The applicable tax rate depends on the home country of the investor and the category of capital income or capital gain.

The tax information is a non-binding summary and only provides a general overview of the potential tax consequences linked to this Product at the time of issue. Tax laws and tax doctrine may change at any time, possibly with retroactive effect.

Investors and prospective Investors are advised to consult with their tax advisers with respect to the Swiss tax consequences of the purchase, ownership, disposition, lapse or exercise or redemption of a Product in light of their particular circumstances. The Issuing Parties and the Lead Manager hereby expressly exclude any liability in respect of any possible tax implications.

Updated bondfloor information, if a bondfloor is applicable to the Product (according to "Product Details" and "Taxation Switzerland" herein), can be found on the following web page of the Swiss Federal Tax Administration (FTA): www.ictax.admin.ch

Product Documentation

The Indicative Termsheet includes the information required for a preliminary simplified prospectus pursuant to Article 5 of the Swiss Federal Act on Collective Investment Schemes ("CISA"). The Termsheet, which will be available no later than on the Issue Date, as well as the Final Termsheet include the information required for a definitive simplified prospectus pursuant to Article 5 CISA. The Termsheet contains a summary of information of the Product and is for information purposes only. Only the Final Termsheet in English language together with the Derivative Programme of the relevant Issuer valid as per the Initial Fixing Date containing all further relevant terms and conditions, as such is amended from time to time (the "Programme"), shall form the entire and legally binding documentation for this Product ("Product Documentation"), and accordingly the Final Termsheet should always be read together with the Programme. Definitions used in the Final Termsheet, but not defined therein, shall have the meaning given to them in the Programme.

Notices to Investors in connection with this Product shall be validly given in accordance with the terms and conditions of the Programme. In addition, any changes with regard to the terms and conditions of this Product will be published on the relevant Termsheet on www.leonteq.com under the section "Products" or, for listed products, in any other form as permitted by the rules and regulations of the SIX Swiss Exchange Ltd. Notices to Investors relating to the Issuing Parties will be published under the section "About us" on www.leonteq.com and/or on the web page of the respective Issuing Party.

During the whole term of this Product, the Product Documentation can be ordered free of charge from the Lead Manager at Brandschenkestrasse 90, P.O. Box 1686, CH-8027 Zurich (Switzerland), via telephone (+41-(0)58-800 1000*), fax (+41-(0)58-800 1010) or via e-mail (termsheet@leonteq.com). Please note that all calls made to numbers marked with an asterisk (*) are recorded. By calling such number, your consent to the recording is deemed given.

II. Prospects for Profit and Loss

The Tracker Certificate (the "Certificate") replicates the price movements in the Underlying and is therefore in terms of risk comparable to a direct investment in the Underlying minus accrued Management Fees and a Performance Fee. At the Redemption Date, the Investor will receive the Certificate Value as at the Final Fixing Date.

III. Significant Risks

Risk Factors Relating to the Product

The downside risk of this Product is the same as for the Underlying, i.e. the Investor could lose the total investment if the Underlying value falls to zero. However, the Certificate Value might differ from the Underlying's performance due to fee adjustments.

The Investor must be aware of the fact that the Underlying is managed by the Index Sponsor. The Issuer and/or the Calculation Agent do not take any responsibility for the success of the Index.

Additional Risk Factors

Prospective Investors should ensure that they fully understand the nature of this Product and the extent of their exposure to risks and they should consider the suitability of this Product as an investment in the light of their own circumstances and financial condition. Products involve a high degree of risk, including the potential risk of expiring worthless. Potential Investors should be prepared in certain circumstances to sustain a total loss of the capital invested to purchase this Product. Prospective Investors shall consider the following important risk factors and see the section "Risk Factors" of the Programme for details on all other risk factors to be considered.

This is a structured product involving derivative components. Investors should make sure that their advisors have verified that this Product is suitable for the portfolio of the investor taking into account the investor's financial situation, investment experience and investment objectives.

The terms and conditions of the Product may be subject to adjustments during the lifetime of the Product as set out in the Programme.

Investors whose usual currency is not the currency in which the product is redeemed should be aware of their possible currency risk. The value of the Product may not correlate with the value of the Underlying(s).

Market Risks

The general market performance of securities is dependent, in particular, on the development of the capital markets which, for their part, are influenced by the general global economic situation as well as by the economic and political framework conditions in the respective countries (so-called market risk). Changes to market prices such as interest rates, commodity prices or corresponding volatilities may have a negative effect on the valuation of the Underlying(s) or the Product. There is also the risk of market disruptions (such as trading or stock market interruptions or discontinuation of trading) or other unforeseeable occurrences concerning the respective Underlyings and/or their stock exchanges or markets taking place during the term or upon maturity of the Products. Such occurrences can have an effect on the time of redemption and/or on the value of the Products.

No dividend payment

This Product does not confer any claim to receive rights and/or payments of the underlying, such as dividend payments, unless explicitly stated herein, and therefore, without prejudice to any coupon or dividend payments provided for in this Termsheet, does not yield any current income. This means that potential losses in value of the Product cannot be compensated by other income.

Credit Risk of Issuing Parties

Investors bear the credit risk of the Issuing Parties of the Product. The Products constitute unsubordinated and unsecured obligations of the relevant Issuing Party and rank pari passu with each and all other current and future unsubordinated and unsecured obligations of the relevant Issuing Party. The insolvency of an Issuing Party may lead to a partly or total loss of the invested capital.

Potential Investors should note that the Issuer is not rated by the credit rating agencies, i.e. there is no credit rating for the Issuer.

Secondary Market

The Issuer and/or the Lead Manager or any third party appointed by the Issuer, as applicable, intends, under normal market conditions, to provide bid and offer prices for the Products on a regular basis. However, the Issuer and/or the Lead Manager, as applicable, make no firm commitment to provide liquidity by means of bid and offer prices for the Products, and assume no legal obligation to quote any such prices or with respect to the level or determination of such prices. In special market situations, where the Issuer and/or the Lead Manager is/are unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer and/or the Lead Manager.

Additional Information / Disclaimer**Prudential Supervision**

Leonteq Securities AG's Guernsey Branch is licensed by the Guernsey Financial Services Commission ("GFSC").

Conflict of Interests

The Issuing Parties and/or the Lead Manager and/or any third party appointed by them, as the case may be, may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market as well as be active on both sides of the market at the same time in any securities, currencies, financial instruments or other assets underlying the products to which this document relates. The Issuer's and Lead Manager's and/or the appointed third party's trading and/or hedging activities related to this transaction may have an impact on the price of the Underlying and may affect the likelihood that any relevant Barrier Level, if any, is reached.

Remunerations to Third Parties

Depending on the circumstances the Issuer and/or Lead Manager may sell this Product to financial institutions or intermediaries at a discount to the Issue Price or reimburse a certain amount to such financial institutions or intermediaries (reference is made to section "General Information" herein, where such fees, if applicable, will be disclosed).

In addition, for certain services rendered by distribution partners and to increase quality and services relating to the Products, the Issuer and/or Lead Manager may from time to time pay trailer fees to such third parties.

Further information is available on request.

No Offer

The indicative Termsheet is primarily provided for information purposes and does not constitute a recommendation, an offer or a solicitation of an offer to buy financial products.

No Representation

The Issuer, the Lead Manager and any third party appointed by them make no representation or warranty relating to any information herein which is derived from independent sources.

Additional Information with regards to the Private Offering in the EEA

The following terms apply only to the non public offering in the European Economic Area (EEA) and are to be understood in addition to the afore-mentioned provisions.

Product Documentation

This document does not constitute a prospectus within the meaning of the Directive 2010/73/EU of the European Parliament and of the Council amending the Directive 2003/71/EC of the European Parliament and Council (Prospectus Directive).

Secondary Market

The Issuer and/or the Lead Manager or any third party appointed by the Issuer, as applicable, will, under normal market conditions, provide bid and offer prices for the Products on a regular basis. In special market situations, where the Issuer and/or the Lead Manager is/are unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer and/or the Lead Manager.

No Offer

The indicative Termsheet has been prepared for discussion purposes only. It is not an offer to buy the Product described within or enter into any agreement. Neither the Issuer nor any of their officers or employees is soliciting any action based upon it. The Final Termsheet is subject to further discussion and negotiation and also subject to internal approval.

No Representation

The Issuer and/or Lead Manager makes no representation or warranty relating to any information herein which is derived from independent sources. Furthermore, the Issuer makes no representations as to (i) the suitability of the Product for any particular Investor and (ii) the appropriate accounting treatment or possible tax consequences of investing in the Product or (iii) the future performance of the Product either in absolute terms or relative to competing investments.

No Advice

This Termsheet should not be construed as investment, financial, strategic, legal, regulatory, accounting or tax advice. It does not take into account the particular investment objectives, financial situation or needs of individual Investors. Certain transactions, including those involving futures, options and high yield securities, give rise to substantial risk and are not suitable for all investors. Accordingly Investors should consider whether the Product described herein is suitable for their particular circumstances and should consult their own accounting, tax, investment and legal advisors before investing. The Issuer does not accept any responsibility to update any opinions or other information contained in this Termsheet.

EEA Selling Restrictions

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each purchaser of the Products represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Products to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Products which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, and the Issuer has consented in writing to the use of the prospectus for the purpose of that offer, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Products in that Relevant Member State:

- solely to legal entities which are qualified investors as defined in the Prospectus Directive,
- at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Manager; or;
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Products shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Products to the public" in relation to any Products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Products to be offered so as to enable an investor to decide to purchase or subscribe the Products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

For distribution in Switzerland

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17/06/2013 - Name Change

Tracker on the "Dynamic Real Income Index" hedged to EUR
ISIN: CH0199038495

Effective Date: 17/06/2013

EFG Financial Products changed its company name.

The Terms and Conditions have been adjusted as follows:

| | | |
|-------------------|--|---|
| Company name new: | Leonteq Securities AG | (old: EFG Financial Products AG) |
| Company name new: | Leonteq Securities AG, Guernsey Branch | (old: EFG Financial Products AG, Guernsey Branch) |

Annex I:

Generic Description

The calculation of the Certificate Value and its allocation on any Business Day t involves many variables as defined in the following sections that should be estimated according to the following order:

1. Certificate Value Calculation
2. FX Exposure and Fee Reset Mechanism

Certificate Value Calculation

Certificate Value: The value of the Certificate (" C_t ") shall be determined by the Calculation Agent on every Business Day t on the basis of the number of Underlying Units, the relevant price of the Underlying on that day, the FX spot rate and the Notional Cash Values in the currency of the Underlying and the Certificate. The Certificate Value is calculated on each Business Day t according to the following formula:

$$C_t = \text{Underlying}_t \times \text{FX}_t \times \text{Unit}_{t-1} + \text{NCV}_{\text{Underlying},t-1} \times (1 + r_{\text{Underlying},t-1} \times d) \times \text{FX}_t + \text{NCV}_{\text{Certificate},t-1} \times (1 + r_{\text{Certificate},t-1} \times d) - \text{AMF}_t - \text{PF}_t$$

Where

Unit_t is the number of Underlying Units on Business Day t and is set as follows:

$$\text{Unit}_t = \text{Unit}_{t-1}$$

Underlying_t Means the price of the Underlying on Calculation Day t , as published on Bloomberg.

C_0 is equal to EUR 1'000.00

FX_t is the mid spot rate in EUR per USD as quoted on Business Day t under the ticker USDEUR Curncy and reasonably determined by the Calculation Agent.

d is the number of calendar days from and excluding the previous Business Day $t-1$ to and including the current Business Day t divided by 360.

$\text{NCV}_{\text{Underlying},t}$ is the Notional Cash Value in USD and is calculated as follows:

$$\text{NCV}_{\text{Underlying},t} = \text{NCV}_{\text{Underlying},t-1} \times (1 + r_{\text{Underlying},t-1} \times d).$$

Initially, $\text{NCV}_{\text{Underlying},0}$ is equal to -1'273.804216.

$\text{NCV}_{\text{Certificate},t}$ is the Notional Cash Value in EUR and is calculated as follows:

$$\text{NCV}_{\text{Certificate},t} = \text{NCV}_{\text{Certificate},t-1} \times (1 + r_{\text{Certificate},t-1} \times d).$$

Initially, $\text{NCV}_{\text{Certificate},0}$ is equal to C_0 .

$r_{\text{Underlying},t}$ is the fixing level of the USD Overnight Deposit Rate (Bloomberg: USDR1T Curncy) on Business Day t as published on Bloomberg and reasonably determined by the Calculation Agent. Initially, $r_{\text{Underlying},0}$ is equal to 0.

$r_{\text{Certificate},t}$ is the fixing level of the EUR Overnight Deposit Rate (Bloomberg: EUDR1T Curncy) on Business Day t as published on Bloomberg and reasonably determined by the Calculation Agent. Initially, $r_{\text{Certificate},0}$ is equal to 0.

AMF_t is the accrued management fee amount in EUR on Business Day t and is calculated as follows:

$$\text{AMF}_t = \text{AMF}_{t-1} + \text{MFee} \times C_{t-1} \times d$$

Initially AMF_0 is equal to 0

PF_t is the performance fee amount in EUR on Business Day t and is calculated as follows:

$$PF_t = \text{Max}(0, PF_{\text{Fee}} \times (\text{Underlying}_t \times FX_t \times \text{Unit}_{t-1} + NCV_{\text{Underlying},t} \times FX_t + NCV_{\text{Certificate},t} - \text{Watermark}_t))$$

Initially PF_0 is equal to 0.

Watermark_t is the watermark for Business Day t and is equal to Watermark_{t-1} . Initially, Watermark_0 is equal to the Issue Price.

FX Exposure and Fee Reset Mechanism

The FX Exposure and Fee Reset Mechanism enable to hedge the exposure of the Certificate to the Underlying Currency while maintaining a delta one participation to the Underlying.

FX and Performance

Fee Reset Process:

If a Business Day t falls on one of the quarterly Observation Dates the Calculation Agent will make the adjustments to Unit_t , $NCV_{\text{Underlying},t}$, $NCV_{\text{Certificate},t}$, AMF_t , PF_t , Watermark_t and C_t in the following order:

- i. $\text{Unit}_t = (C_t - \text{FX Exposure}_t \times C_t \times \text{Spread}_t \times \eta_t) / (\text{Underlying}_t \times FX_t)$
- ii. $NCV_{\text{Underlying},t} = NCV_{\text{Underlying},t-1} \times (1 + r_{\text{Underlying},t-1} \times d) - (\text{Unit}_t - \text{Unit}_{t-1}) \times \text{Underlying}_t - \text{FX Exposure}_t \times C_t \times (1 + \text{Spread}_t \times \eta_t) / FX_t$
- iii. $NCV_{\text{Certificate},t} = NCV_{\text{Certificate},t-1} \times (1 + r_{\text{Certificate},t-1} \times d) + \text{FX Exposure}_t \times C_t - AMF_t - PF_t$
- iv. $AMF_t = 0$
- v. $PF_t = 0$
- vi. $\text{Watermark}_t = \text{Max}(\text{Watermark}_{t-1}, \text{Watermark}_0, C_t)$
- vii. $C_t = \text{Unit}_t \times \text{Underlying}_t \times FX_t + NCV_{\text{Underlying},t} \times FX_t + NCV_{\text{Certificate},t}$

Where

Spread_t is the spread on FX_t accounting for the FX hedging costs incurred to the Issuer. Initially, Spread_0 is equal to 0.1%. Spread_t can be adjusted from time to time by the Calculation Agent in a commercially reasonable manner to reflect the current market conditions. Spread_t is capped to 0.25%.

FX Exposure_t is the exposure of the Certificate to the Underlying Currency on Business Day t and is calculated according to the following formula:

$$\text{FX Exposure}_t = [\text{Unit}_{t-1} \times \text{Underlying}_t + NCV_{\text{Underlying},t-1} \times (1 + r_{\text{Underlying},t-1} \times d)] \times FX_t / C_t$$

η_t is an idiosyncratic term and is determined as follows:

$$\eta_t = 1, \quad \text{if } \text{FX Exposure}_t \geq 0$$

$$\eta_t = -1, \quad \text{if } \text{FX Exposure}_t < 0$$

FX Reset Process:

If a Business Day t falls on one of the monthly FX Reset Dates and not on a quarterly Observation Date the Calculation Agent will make the adjustments to Unit_t , $NCV_{\text{Underlying},t}$, $NCV_{\text{Certificate},t}$, AMF_t and C_t in the following order:

- i. $\text{Unit}_t = (C_t + PF_t - \text{FX Exposure}_{t,\text{adj}} \times (C_t + PF_t) \times \text{Spread}_t \times \eta_{t,\text{adj}}) / (\text{Underlying}_t \times FX_t)$
- ii. $NCV_{\text{Underlying},t} = NCV_{\text{Underlying},t-1} \times (1 + r_{\text{Underlying},t-1} \times d) - (\text{Unit}_t - \text{Unit}_{t-1}) \times \text{Underlying}_t - \text{FX Exposure}_{t,\text{adj}} \times (C_t + PF_t) \times (1 + \text{Spread}_t \times \eta_{t,\text{adj}}) / FX_t$
- iii. $NCV_{\text{Certificate},t} = NCV_{\text{Certificate},t-1} \times (1 + r_{\text{Certificate},t-1} \times d) + \text{FX Exposure}_{t,\text{adj}} \times (C_t + PF_t) - AMF_t$
- iv. $AMF_t = 0$
- v. $C_t = \text{Unit}_t \times \text{Underlying}_t \times FX_t + NCV_{\text{Underlying},t} \times FX_t + NCV_{\text{Certificate},t} - PF_t$

Where

Spread_t is the spread on FX_t accounting for the FX hedging costs incurred to the Issuer. Initially, Spread_0 is equal to 0.1%. Spread_t can be adjusted from time to time by the Calculation Agent in a commercially reasonable manner to reflect the current market conditions. Spread_t is capped to 0.25%.

$FX Exposure_{t,adj}$ is the exposure of the Certificate gross of performance fee to the Underlying Currency on Business Day t and is calculated according to the following formula:

$$FX Exposure_{t,adj} = [Unit_{t-1} \times Underlying_t + NCV_{Underlying,t-1} \times (1 + r_{Underlying,t-1} \times d)] \times FX_t / (C_t + PF_t)$$

$\eta_{t,adj}$ is an idiosyncratic term and is determined as follows:

$$\begin{aligned} \eta_{t,adj} &= 1, \quad \text{if } FX Exposure_{t,adj} \geq 0 \\ \eta_{t,adj} &= -1, \quad \text{if } FX Exposure_{t,adj} < 0 \end{aligned}$$

ANNEX II:

Underlying Description

The "Dynamic Real Income Index" represents an investment approach which aims mid to long term capital appreciation. The "Dynamic Real Income Index" is managed by the Index Sponsor and calculated by the Calculation Agent. The components of the Underlying are rebalanced on regular basis.

Please revert to the Underlying Index Rulebook for detailed information.