

## Applicable Final Terms

November 4, 2007

**Kaupthing Bank hf.**  
**Issue of CHF 5,000,000 Fixed Rate Equity Linked Redemption Notes due November 2008**  
**under the €12,000,000,000**  
**Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 13 September, 2007 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the office of the Issuer at Borgartun 19, 105 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

- |    |                                   |   |
|----|-----------------------------------|---|
| 1. | Issuer:                           | Kaupthing Bank hf.                            |
| 2. | (i) Series Number:                | 7   |
|    | (ii) Tranche Number:              | 1   |
| 3. | Specified Currency or Currencies: | Swiss Francs (“CHF”)                          |
| 4. | Aggregate Nominal Amount:         |   |
|    | (i) Series:                       | CHF 5,000,000                                 |
|    | (ii) Tranche:                     | CHF 5,000,000                                 |
| 5. | Issue Price:                      | 100 per cent. of the Aggregate Nominal Amount |
| 6. | (i) Specified Denominations:      | CHF 2,000                                     |
|    | (ii) Calculation Amount:          | CHF 2,000                                     |
| 7. | (i) Issue Date:                   | November 6, 2007                              |
|    | (ii) Interest Commencement Date:  | Issue Date                                    |
| 8. | Maturity Date:                    | November 6, 2008                              |

9.	Interest Basis:	8.65 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:	Equity Linked Redemption
11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	(a) Status of the Notes:	Senior
	(b) Date Board approval for issuance of Notes obtained:	Not Applicable
14.	Method of distribution:	Non-syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15.	<b>Fixed Rate Note Provisions</b>	Applicable
	(i) Rate(s) of Interest:	8.65 per cent. per annum flat
	(ii) Interest Payment Date(s):	Maturity Date
	(iii) Fixed Coupon Amount(s):	CHF 173 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	Not Applicable
	(vi) Determination Date(s):	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
16.	<b>Floating Rate Note Provisions</b>	Not Applicable
17.	<b>Zero Coupon Note Provisions</b>	Not Applicable
18.	<b>Index Linked Interest Note Provisions</b>	Not Applicable
19.	<b>Equity Linked Interest Note Provisions</b>	Not Applicable
20.	<b>Commodity Linked Interest Note Provisions</b>	Not Applicable
21.	<b>Additional Disruption Events (applicable to Equity Linked Interest Notes only):</b>	Not Applicable

- |     |   |                |
|-----|---|----------------|
| 22. | <b>Dual Currency Interest Note Provisions</b> | Not Applicable |
| 23. | Target Redemption Note Provisions:            | Not Applicable |
| 24. | Range Accrual Note Provisions:                | Not Applicable |

**PROVISIONS RELATING TO REDEMPTION**

- |     |   |   |
|-----|---|---|
| 25. | Issuer Call:  | Not Applicable  |
| 26. | Investor Put  | Not Applicable  |
| 27. | Target Redemption Note Provisions:  | Not Applicable  |
| 28. | Final Redemption Amount:  | see item 31(ix)   |
| 29. | Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(f)): | <p>If the Notes are redeemed for, as a result of or following:</p> <ul style="list-style-type: none"> <li>(a) taxation reasons (pursuant to Condition 8); or</li> <li>(b) Events of Default of the Notes (pursuant to Condition 10),</li> </ul> |

the Early Redemption Amount payable in respect of each Note of a Specified Denomination will, in each case, equal the Calculation Agent's determination of the market value of each Note taking into account factors including but not limited to: interest rates, index levels, implied volatilities in the option markets and exchange rates, less the Associated Costs (as defined below).

**"Associated Costs"** means an amount per Note of a Specified Denomination equal to the pro rata share (on the basis of the principal amount of the Note and the aggregate principal amount of all Notes which have not been redeemed or cancelled as at the Early Redemption Date) of the total amount of any and all costs associated or incurred by the Issuer or any company affiliated with it in connection with such early redemption, including, without limitation, any costs associated with unwinding the funding relating to the Notes and any costs associated with unwinding any hedge positions relating to the Notes, all as determined by the Calculation Agent in its sole discretion.

With respect to each Calculation Amount, such amount(s) determined by the Calculation Agent which shall represent the fair market value of such Calculation Amount on the date of redemption, including accrued interest (if any), adjusted to account fully for any losses,

expenses and costs to the Issuer (or any of its affiliates) of unwinding any underlying or related hedging and funding arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. For the purposes hereof:

- (i) the references to "together (if appropriate) with interest accrued to (but excluding) the date of redemption" shall be deemed to be deleted from each of Condition 7(b); and
- (ii) the references to "together with accrued interest thereon to the date of repayment" shall be deemed to be deleted from Condition 10.

30. Capital Notes Provisions: Not Applicable

31. Equity Linked Redemption Notes: Applicable

- (i) Whether the Notes relate to a basket of equity securities or a single equity security, and the identity of the relevant issuer(s) of the Underlying Equity/Equities: Basket of Underlying Equities

"Shares" means the ordinary shares of each Share Issuer set out in the following table:

i	Share Issuer	Bloomber g Page	Exchange	Initial Price	Barrier Level
1	HOLCIM	HOLN VX	VIRT X	CHF 126.10	CHF 75.66
2	SYNTHES	SYST VX	VIRT X	CHF 145.60	CHF 87.36
3	JULIUS BAER	BAER VX	VIRT X	CHF 94.25	CHF 56.55

"Share Issuer" means each of the share issuers set out in the table under the definition of "Shares" above.

- (ii) Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery: Cash Settlement

- (iii) Calculation Agent responsible for making calculations pursuant to Condition 9: Merrill Lynch International

- (iv) Exchange: The exchange or quotation system, in respect of a Share, on which such Share is listed (as set out in the table under the definition of "Share" above), any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in such Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

- (v) Related Exchange(s): Each exchange or quotation system on which options contracts and futures contracts relating to a Share are traded, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Shares has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Shares on such temporary substitute exchange or quotation system as on the original Related Exchange).
- (vi) Potential Adjustment Events: With respect to the Shares of any Share Issuer, any of the following:
- (a) a subdivision, consolidation or reclassification of the Shares (unless a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
  - (b) a distribution, issue or dividend to existing holders of the Shares of (i) such Shares or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Issuer as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
  - (c) an extraordinary dividend;
  - (d) a call by the Share Issuer in respect of such Shares that is not fully paid;
  - (e) a repurchase by the relevant Share Issuer of the relevant Shares, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
  - (f) in respect of the Share Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Share Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the

Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

(g) any other similar event that, in the opinion of the Calculation Agent, may have a diluting, concentrative or other effect on the theoretical value of such Shares.

Following each Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of such Shares and, if so, will (a) make the corresponding adjustment, if any, to any terms of the Notes as the Calculation Agent determines appropriate to account for that diluting or concentrative effect and (b) determine the effective date of that adjustment. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to that adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

The Calculation Agent shall as soon as is reasonably practicable under the circumstances notify the Issuer and the Principal Paying Agent of the existence of a Potential Adjustment Event.

(vii) De-listing, Merger Event,  
Nationalisation and Insolvency

**"De-Listing"** means, in respect of a Share, that the relevant Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on such Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer, (A) all the Shares of that Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Issuer become legally prohibited from transferring them.

**"Merger Date"** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**"Merger Event"** means, in respect of any relevant

Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in any such reclassification or change of all such Shares outstanding) or (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the relevant Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (a "Reverse Merger"), in each case if the Merger Date is on or before the Valuation Date.

**"Nationalisation"** means that all the Shares or all or substantially all the assets of a Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

#### **Consequences of De-Listing, Merger Event, Nationalisation or Insolvency**

If a De-Listing, Merger Event, Nationalisation or Insolvency occurs in relation to any Shares, the Calculation Agent may determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the terms of the Notes to account for the De-Listing, Merger Event, Nationalisation or Insolvency, as the case may be, and to determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-Listing, Merger Event, Nationalisation or Insolvency made by any options exchange to options on the relevant Shares traded on that options exchange.

The Calculation Agent shall as soon as is reasonably practicable under the circumstances notify the Issuer and

the Principal Paying Agent of the existence of De-Listing, Merger Event, Nationalisation or Insolvency.

(viii) Tender Offer:

Applicable

**"Tender Offer"** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the relevant Share Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**"Tender Offer Date"** means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

Consequences of Tender Offer

If a Tender Offer occurs in relation to any Shares, the Calculation Agent may determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the terms of the Notes to account for the Tender Offer as the case may be, and to determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of Tender Offer, made by any options exchange to options on the relevant Shares traded on that options exchange.

The Calculation Agent shall as soon as is reasonably practicable under the circumstances notify the Issuer and the Principal Paying Agent of the existence of Tender Offer.

(ix) Redemption Amount:

Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Final Redemption Amount payable in respect of each Note of the Specified Denomination shall be an amount in CHF determined by the Calculation Agent as follows:

Either:

(a) if there has not been a Barrier Breach Event for any Share, CHF 2,000; or

(b) if (i) there has been a Barrier Breach Event for any Share; and (ii) on the Valuation Date the Closing Price of all Shares is greater than or equal to its Initial



Price, CHF 2,000; or

(c) if (i) there has been a Barrier Breach Event for any Share; and (ii) on the Valuation Date the Closing Price of one or more Shares is less than its Initial Price ;

CHF 2,000 × Worstfinal

Where:

**"Barrier Breach Event"** means, if at any time during the Observation Period (for the avoidance of doubt including intra-day trading) a Share trades at a price which is less than the respective Barrier Level for such Share, as determined by the Calculation Agent, a Barrier Breach Event will be deemed to have occurred.

**"Barrier Level"** means, in respect of each Share, the Barrier Level as set out in the table under the definition of "Share" below.

**"Closing Price"** means, in respect of each Share, the price per Share as of the Valuation Time on the Valuation Date.

**"Final Price"** means, in respect of each Share, the Closing Price of such Share on the Valuation Date.

**"Initial Price"** means, in respect of each Share, the amount set out in the table under the definition of "Shares" below.

**"Observation Period"** means the period from and including October 23, 2007 to and including the Valuation Date.

**"Worstfinal"** means the lowest calculated Performance in respect of each Share, as determined by the Calculation Agent.

**"Performance"** means an amount in respect of each Share (expressed as a percentage) as determined by the Calculation Agent in accordance with the following:

Final Price / Initial Price.

(x) Valuation Date:

October 29, 2008 or if such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day, unless in the opinion of the Calculation Agent such day is a Disrupted Day.

If the Valuation Date is a Disrupted Day, such Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each Scheduled

Trading Day from and including the scheduled Valuation Date to and including the relevant Valuation Cut-Off Date is a Disrupted Day. In that case (i) the Valuation Cut-Off Date shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine in its good faith estimate of the value for the Shares as of the Valuation Time on the Valuation Cut-Off Date.

- (xi) Valuation Time: In respect of each Share, the Scheduled Closing Time on the relevant Exchange. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.
- (xii) Strike Price: Initial Price as defined above
- (xiii) Exchange Rate: Not Applicable
- (xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 9(b)): Not Applicable
- (xv) Correction of Share Prices, Index Levels or Official Settlement Prices: Correction of Share Prices does not apply and the Reference Price shall be calculated without regard to any subsequently published correction.
- (xvi) Trade Date: 23 October, 2007
- (xvii) Relevant Assets: Not Applicable
- (xviii) Asset Amount: Not Applicable
- (xix) Cut-Off Date: And "**Valuation Cut-Off Date**" means two Business Days preceding the Maturity Day.
- (xx) Delivery provisions for Asset Amount (including details of who is to make such delivery): Not Applicable
- (xxi) Failure to deliver due to illiquidity: Not Applicable
- (xxii) Other terms or special conditions: OTHER ADJUSTMENTS

The foregoing adjustments do not necessarily cover all events that may affect the theoretical value of the Shares. Accordingly, the Calculation Agent may, at its sole and absolute discretion, make additional adjustments to the Notes as applicable and as soon as is reasonably practicable under the circumstances notify the Issuer and the Principal Paying Agent thereof.

## CALCULATIONS BINDING

The calculations and determinations of the Calculation Agent shall (save in the case of manifest error) be final and binding upon all parties. The Calculation Agent shall have no responsibility for good faith errors or omissions in any calculation made by it as provided herein.

- |     |                                    |                |
|-----|------------------------------------|----------------|
| 32. | Additional Disruption Events:      | Not Applicable |
| 33. | Credit Linked Notes:               | Not Applicable |
| 34. | Commodity Linked Redemption Notes: | Not Applicable |

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- |     |  |   |
|-----|--|---|
| 35. | (a) Form of Notes:   | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice given at any time/only upon an Exchange Event. |
|     | (b) New Global Note:   | No  |
| 36. | Additional Financial Centre(s) or other special provisions relating to Payment Dates:  | TARGET, London and Zurich   |
| 37. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):  | No  |
| 38. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable  |
| 39. | Details relating to Instalment Notes:  | Not Applicable  |
| 40. | Redenomination applicable:   | Redenomination not applicable   |
| 41. | Other final terms:   | " <b>Calculation Agent</b> " means Merrill Lynch International or such successor calculation agent as may from time to time be appointed by the Issuer.                     |

The Calculation Agent shall act as an independent expert and not as an agent for the Issuer or the holders of the

Notes.

All determinations and calculations shall be made by the Calculation Agent at its sole discretion, in good faith, acting reasonably and on an arms-length basis. All such calculations so made shall be final and binding (save in the case of manifest error) on the Issuer and the Noteholders. The Calculation Agent shall promptly notify the Agent and the Issuer upon any such determination or calculation, which shall be final and conclusive, and the Calculation Agent shall have no liability in relation to the determinations or calculations provided herein, except in the case of wilful default or bad faith.

## **DISTRIBUTION**

42.	(i)	If syndicated, names and addresses of Managers and underwriting commitments:	Not Applicable
	(ii)	Date of Subscription Agreement:	Not Applicable
	(iii)	Stabilising Manager (if any):	Not Applicable
43.		If non-syndicated, name of relevant Dealer:	Merrill Lynch International
44.		Total commission and concession:	Not Applicable
45.		U.S. Selling Restrictions:	TEFRA D
46.		Non-exempt Offer:	Not Applicable
47.		Additional selling restrictions:	Not Applicable

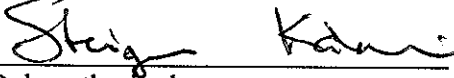
## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue of the Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. Information on the Shares has been extracted from Bloomberg Financial Systems. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Bloomberg Financial Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:   
Duly authorised

**Guðni Aðalsteinsson**  
Frankvæmdastjóri Kaupthingar  
Chief Treasurer

**PART B – OTHER INFORMATION**

**1. LISTING AND ADMISSION TO TRADING** Not Applicable

**2. RATINGS**

Ratings: The Notes to be issued have not been rated

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

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

- (i) Reasons for the offer: See “Use of Proceeds” wording in Base Prospectus
- (ii) Estimated net proceeds: CHF 5,000,000
- (iii) Estimated total expenses: Not Applicable

**5. YIELD** (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

**6. HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

Not Applicable

**7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING INDEX** (*Index-Linked Notes only*)

Not Applicable

The Issuer does not intend to provide post-issuance information.

**8. PERFORMANCE OF THE BASKET OF EQUITIES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE BASKET OF EQUITIES** (*Equity Linked Notes only*)

Certain historical information in respect of each Share to which the Final Redemption Amount payable in respect of the Notes will be linked and associated risks is set out in Schedule 2 (*Historical Data*) and Schedule 3 (*Investment Considerations*) hereto.

**9. PERFORMANCE OF [THE COMMODITY/BASKET OF COMMODITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY/BASKET OF COMMODITIES]]** (*Commodity Linked Notes only*)

Not Applicable

**10. INFORMATION IN RELATION TO THE REFERENCE ENTITY, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY] (*Credit Linked Notes only*)**

Not Applicable

**11. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)**

Not Applicable

**12. OPERATIONAL INFORMATION**

(i) ISIN Code: XS0328364533

(ii) Common Code: 032836453

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): Not Applicable

(iv) Delivery: Delivery against payment

(v) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: No

**13. TERMS AND CONDITIONS OF THE OFFER** Not Applicable

## SCHEDULE 1

### DEFINITIONS

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

**"Disrupted Day"** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**"Early Closure"** means the closure on an Exchange Business Day of a relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**"Exchange Business Day"** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to such Shares on any relevant Related Exchange.

**"Market Disruption Event"** means, in respect of a Share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure.

**"Scheduled Closing Time"** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**"Scheduled Trading Day"** means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Shares on such Exchange, or (ii) in futures or options contracts relating to such Shares on any relevant Related Exchange.



## HISTORICAL DATA

*The information in this Schedule 2 (Historical Data) is taken from Bloomberg Financial Systems in respect of the Shares. The Issuer confirms that such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from public information sources, no facts have been omitted which would render the reproduced information inaccurate or mis-leading. Neither the Issuer nor the Relevant Dealer accepts any further responsibility in respect of such information.*

*The following information does not imply any representation on the part of the Issuer, the Calculation Agent or the Relevant Dealer or any other person that any such information is correct.*

### 1. HOLCIM Shares

The price of HOLCIM Shares will be available on Bloomberg page HOLN VX <Equity><Go>.

#### *Recent and historical prices of the HOLCIM Shares in CHF*

<i>Period</i>	<i>High</i>	<i>Low</i>
2003	58.39	36.36
2004	56.32	68.54
2005	68.31	88.25
2006	85.70	112.60
January 2007	113	121.20
February 2007	121.10	127.10
March 2007	116	123
April 2007	124.90	129.20
May 2007	131.40	134.70
June 2007	128.30	137.60
July 2007	126.40	138.20
August 2007	114.80	125.90
September 2007	118.80	127.70
October 2007	124.10	135.60

### 2. SYNTHES Shares

The price of SYNTHES Shares will be available on Bloomberg page SYST VX <Equity><Go>.

#### *Recent and historical prices of the SYNTHES Shares in CHF*

<i>Period</i>	<i>High</i>	<i>Low</i>
2003	57.30	125.70
2004	114.50	152.00
2005	126.60	160.10
2006	129.10	157.60
January 2007	146.10	163.50
February 2007	149.60	159.30
March 2007	148.80	154.40
April 2007	149.40	158.90
May 2007	152.60	157.90
June 2007	145.80	150.20
July 2007	139.10	150.10
August 2007	133.40	145.60
September 2007	130.30	138.50

October 2007

130.10

145.60

### 3. JULIUS BAER Shares

The price of JULIUS BAER Shares will be available on Bloomberg page BAER VX <Equity><Go>.

#### *Recent and historical prices of the BAER Shares in CHF*

<i>Period</i>	<i>High</i>	<i>Low</i>
2003	15.59	38.04
2004	27.41	40.71
2005	29.12	47.00
2006	47.38	67.80
January 2007	68.65	75.75
February 2007	75.00	82.60
March 2007	75.15	85.10
April 2007	84.60	87.95
May 2007	83.55	94.00
June 2007	83.80	91.10
July 2007	81.15	91.80
August 2007	73.25	82.90
September 2007	75.55	87.05
October 2007	90.70	99.90

### SCHEDULE 3

#### *Important Information to Potential Investors* INVESTMENT CONSIDERATIONS

**THESE INVESTMENT CONSIDERATIONS SHOULD BE READ TOGETHER WITH, AND FORMS PART OF, THE FINAL TERMS FOR MERRILL LYNCH & CO., INC. ISSUE OF CHF 5,000,000 Fixed Rate Equity Linked Redemption Notes due November 2008 (THE "NOTES").**

**AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSIDER CAREFULLY ALL THE INFORMATION SET OUT IN THE BASE PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS DESCRIBED BELOW, BEFORE MAKING ANY DECISION TO INVEST IN THE NOTES.**

**BY BUYING THE NOTES, AN INVESTOR WILL BE DEEMED TO REPRESENT THAT IT UNDERSTANDS THE RISKS ASSOCIATED WITH PURCHASING THE NOTES AND AGREES TO ACCEPT AND ASSUME (FINANCIALLY AND OTHERWISE) SUCH RISKS.**

*The following section does not describe all of the risks and other ramifications of an investment in the Notes. The Issuer disclaims any responsibility to advise prospective investors of such risks as they exist at the date of these Final Terms or as they change from time to time. Prospective investors should consult their own financial and legal advisors about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances. In particular, the Notes may not be an appropriate investment for investors who are unsophisticated with respect to such transactions.*

*The description of investment considerations that follow is not, and does not purport to be, exhaustive. Capitalised terms used in this Schedule 3 (Investment Considerations) are defined elsewhere in these Final Terms.*

#### **1. Understanding and appropriateness of the investment**

**1.1** Each investor (a) should be an investor with substantial knowledge of and/or experience in structured products and other derivatives having such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks (including tax, legal, regulatory, accounting) of an investment in the Notes because the Notes are not an appropriate investment for investors who are unsophisticated with respect to such transactions; (b) should be financially able to bear such risks; (c) in making such investment shall not rely on any advice or recommendations of or any information, representation or warranty provided by the Dealer, the Calculation Agent and/or any of their respective affiliates ("**Merrill Lynch**"), the Issuer or any of their respective representatives; (d) recognise that it may not be possible to make any transfer of the Notes for a substantial period of time; and (e) should seek advice from such advisors as such investor considers necessary and appropriate, to enable such investor to make its own independent decision with regard to the suitability and appropriateness of the Notes as an investment for its own account. Each investor should be capable of assessing and independently deciding, and should have assessed and independently decided, to assume the risks of an investment in the Notes.

- 1.2 Each investor in the Notes should consider the tax consequences of investing in the Notes. None of the Issuer, the Dealer or any of their respective representatives makes any representation and have given you, and will give you, any advice concerning the appropriate accounting treatment or possible tax consequences of purchasing the Notes. Each investor should consult its own financial, tax, accounting and legal advisors about risks associated with an investment in the Notes and the suitability of investing in such Notes in light of the investor's particular circumstances.
- 1.3 Any information communicated (in any manner) to investors by the Issuer or Merrill Lynch should not be relied upon as investment advice or as a recommendation to invest in the Notes, which shall include, amongst other things, any such information, explanations or discussions concerning the terms and conditions of the Notes, or related features.
- 1.4 Investment in the Notes should comply, and be fully consistent, with all investment policies, guidelines and restrictions applicable to an investor. It is the responsibility of each investor to ensure that it is compliant with all regulations relevant to its acquisition of the Notes and that it is lawful for it to enter into such investment.
- 1.5 Any information communicated (in any manner) to investors by the Issuer or Merrill Lynch should not be relied upon, nor shall such be deemed to be an assurance or guarantee, as to the expected results of an investment in the Notes. Each investor should be aware that any return on the Notes may not exceed or even equal the return that might have been achieved had the amount of its initial investment been placed on deposit for the same period.
- 1.6 Each investor should be aware that neither the Issuer nor Merrill Lynch is acting as a fiduciary or trustee for, or as an advisor to the investor with regard to the investment in the Notes.
- 1.7 The Notes are denominated in CHF. Investors that purchase the Notes with a currency other than CHF should note that changes in rates of exchange may have an adverse effect on the value, price or income of their investment.
- 1.8 The Notes will constitute direct, unsubordinated, unsecured and general obligations of the Issuer and will rank equally with all other unsubordinated and unsecured indebtedness of the Issuer. Investors in the Notes should have such knowledge and experience in financial business matters and expertise in assessing credit risk and be capable of evaluating the merits, risks and suitability of investing in the Notes including any credit risk associated with the Issuer. Investors in the Notes do so in reliance on their own assessment of the Issuer, the Final Terms and Base Prospectus.

## **2. Conflicts of Interest**

Merrill Lynch International may face possible conflicts of interest in relation to its role as Calculation Agent for the Notes including, without limitation, in relation to the role of the Calculation Agent in determining the Final Redemption Amount and application thereof, and any Early Redemption Amount, if applicable. Merrill Lynch International is required to carry out its duties as Calculation Agent in good faith and using its reasonable judgement, however you should be aware that any such determination may potentially adversely affect the amount payable to Noteholders under the Notes and that potential conflicts of interest could arise.

The Issuer has entered into an arrangement with a third party to hedge the market risks associated with our obligation to pay amounts due on the Notes. This third party expects to make a profit in connection with this arrangement. The Issuer did not seek competitive bids for this arrangement from any other parties. All of these activities may result in conflicts of interest with respect to the financial interests of Merrill Lynch International and the Issuer.

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