

BASE PROSPECTUS

**KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.  
(KBC IFIMA N.V.)**

*(Incorporated with limited liability in The Netherlands)*

**Unconditionally and irrevocably guaranteed  
by KBC Bank NV**

*(Incorporated with limited liability in Belgium)*

**€40,000,000,000  
Euro Medium Term Note Programme**

**Arranger**

**KBC Bank**

**Dealers**

**Banca IMI**

**BNP PARIBAS**

**Citi**

**Daiwa Capital Markets Europe**

**HSBC**

**KBC Bank**

**Nomura**

**Banco Bilbao Vizcaya Argentaria, S.A.**

**BofA Merrill Lynch**

**Commerzbank**

**Goldman Sachs International**

**J. P. Morgan**

**KBL European Private Bankers S.A**

**Santander Global Banking & Markets**

**UBS Investment Bank**

The date of this Base Prospectus is 14th July, 2010.

Application has been made to the *Commission de Surveillance du Secteur Financier* in its capacity as competent authority under the Luxembourg Act dated 10th July, 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of publication of this Base Prospectus to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

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**€40,000,000,000**

**Euro Medium Term Note Programme**

Under this €40,000,000,000 Programme, KBC Internationale Financieringsmaatschappij N.V. (the "Issuer" or "KBC IFIMA N.V.") may from time to time issue notes (the "Notes", which term shall include Senior Guaranteed Notes and Dated Subordinated Guaranteed Notes, as such terms are defined below) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). This Base Prospectus supersedes and replaces in its entirety the previous Base Prospectus dated 15th September, 2009. Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This does not affect any Notes issued prior to the date of this Base Prospectus.

The payments and, where applicable, delivery of all amounts due in respect of the Notes will be guaranteed by KBC Bank NV (the "Guarantor") pursuant to a deed of guarantee dated 18th September, 2008 (the "Guarantee") executed by the Guarantor. The Final Terms (as defined below) for each Tranche (as defined on page 124 below) of Notes will state whether the Notes of such Tranche are to be guaranteed on (i) an unsubordinated basis ("Senior Guaranteed Notes") or (ii) a subordinated basis ("Dated Subordinated Guaranteed Notes").

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed €40,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers").

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10th July, 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive"). Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of publication of this Base Prospectus to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes are intended to be admitted to trading on the Luxembourg Stock Exchange's regulated market and are intended to be listed on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set forth in a final terms document (the "Final Terms") which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be filed with the CSSF.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s). In the case of Notes which are (i) to be admitted to trading on a regulated market (as defined in the Prospectus Directive) of a European Economic Area Member State other than the regulated market of the Luxembourg Stock Exchange (a "Host Member State"); or (ii) offered to the public in a Host Member State, the Issuer will request that the CSSF delivers to the competent authority of the Host Member State a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive and, if so required by the relevant Host Member State, a translation of the summary set out in this Base Prospectus. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes of each Tranche will initially be represented by a temporary global Note (a "Temporary Global Note") which will be delivered on or prior to the issue date thereof to a common safekeeper (the "Common Safekeeper") or a common depositary (the "Common Depositary"), as the case may be, in either case for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), and/or any other agreed clearance system which will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note (a "Permanent Global Note") or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A Permanent Global Note will be exchangeable for definitive Notes, either upon request or only upon the occurrence of an Exchange Event, all as further described in "Form of the Notes" below.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed or admitted to trading, as the case may be, on a stock exchange) a Supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Prospective purchasers of Notes should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. Certain issues of Notes involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Notes and are not relying on the advice of the Issuer, the Guarantor or any Dealer in that regard. See "Risk Factors" below. In addition any applicable Final Terms may contain specific risk factors relating to the relevant issue of Notes.

**Arranger  
KBC Bank**

**Dealers**

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The date of this Base Prospectus is 14th July, 2010.

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended (the "Securities Act"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "*Subscription and Sale*" below).

All references in this document to "U.S. dollars" and "U.S.\$" refer to United States dollars, those to "£" and "Sterling" refer to pounds sterling, and those to "euro" or "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Issuer and the Guarantor (together the “Responsible Persons”) accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

The Base Prospectus may only be used for the purposes for which it has been published. Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus (and, therefore, acting in association with the Issuer) in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers and the persons named in, or identifiable following, the applicable Final Terms as the Financial Intermediaries, as the case may be.

**The applicable Final Terms will (if applicable) contain information relating to any underlying equity security, index, commodity, currency, debt security or other item(s) (each a “Reference Item”) to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in a Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item. Each of the Issuer and the Guarantor will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the issuer, owner or sponsor, as the case may be, of such Reference Item, no facts have been omitted that would render the reproduced inaccurate or misleading.**

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer and the Guarantor under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Guarantor or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or of any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial

condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes constitutes an offer by or on behalf of the Issuer or the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Notes.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. In particular, this Base Prospectus has not been submitted for clearance to the *Autorité des marchés financiers*.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The Issuer, the Guarantor and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically intended to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, France, The Netherlands, Japan, Italy, the Czech Republic, Poland and the Republic of Slovenia (see "*Subscription and Sale*" below).

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer 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 and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the

Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, none of the Issuer, the Guarantor and any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**



## SUMMARY OF THE PROGRAMME

The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Notes, in conjunction with the applicable Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein. Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference, by any investor.

Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

### Information relating to the Issuer and the Guarantor

- Issuer:** KBC IFIMA N.V., a wholly owned subsidiary of the Guarantor, was incorporated in The Netherlands on 15th April, 1982 in the form of a limited liability company.
- Business of the Issuer:** The Issuer assists in the financing of the activities of companies belonging to the Group (meaning the Guarantor and its subsidiaries).
- Guarantor:** KBC Bank NV, a wholly-owned subsidiary of KBC Group NV, was incorporated in Belgium on 17th March, 1998 in the form of a company with limited liability.
- Business of the Guarantor:** The Guarantor is a multi-channel bank that caters primarily for private persons and small and medium-sized companies. Its geographic focus is on Europe. In its two home markets (Belgium and Central and Eastern Europe), the Guarantor has a very important and (in some cases) a leading position. In the rest of the world, the Guarantor has a selective presence in certain countries or areas. The Guarantor's core business is retail and private bancassurance (including asset management) in its two home markets, though it is also active in services to corporations and market activities.
- Risk Factors:** There are certain factors which may affect the Guarantor's ability to fulfil its obligations under the Notes issued under the Programme. These include (i) risks relating to economic activity in the markets in which it operates and (ii) risks relating to its business activities, including credit risk, market risk, operational risk and liquidity risk.
- Notes may involve a high degree of risk.
- There are certain factors which are material for the purpose of assessing the market risks associated with investing in any

issue of Notes, which include, without limitation, the fact that Notes are unsecured obligations of the Issuer, that there may be a time lag between valuation and settlement in relation to a Note, that there may be potential conflicts of interest, that market disruptions or other events may occur in respect of the particular Reference Item(s) to which the amounts payable and/or deliverable, as the case may be, in respect of the relevant Notes may relate, as specified in the applicable Final Terms, that there may be taxation risks, that there may be illiquidity of the Notes in the secondary market, that there may be the risk that performance of the Issuer's obligations under the Notes may become illegal, that there may be exchange rate risks and exchange controls and that the market value of the Notes may be affected by the creditworthiness of the Issuer and/or the Guarantor and a number of additional factors.

In addition, prospective investors in Reference Item Linked Notes (as defined under "Risks related to the structure of a particular issue of Notes" in "*Risk Factors*") should understand the risks of transactions involving Reference Item Linked Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Reference Item Linked Notes in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Reference Item Linked Notes and the particular Reference Item(s) to which the value of, or payments in respect of, the relevant Reference Item Linked Notes may relate, as specified in the applicable Final Terms.

Where the applicable Final Terms specify one or more Reference Item(s), the relevant Notes will represent an investment linked to the performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in the Notes will depend upon the performance of the relevant Reference Item(s).

See "Risks related to the structure of a particular issue of Notes" in "*Risk Factors*".

**PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW BOTH ANY CASH AMOUNTS OR ASSET AMOUNTS ARE PAYABLE OR DELIVERABLE AND HOW ANY PERIODIC INTEREST PAYMENTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE, AS THE CASE MAY BE, BEFORE MAKING ANY DECISION TO PURCHASE ANY REFERENCE ITEM LINKED NOTES.**

## Information relating to the Programme

<b>Description:</b>	Euro Medium Term Note Programme
<b>Arranger:</b>	KBC Bank NV
<b>Dealers:</b>	Banca IMI S.p.A. Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. BNP PARIBAS Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Daiwa Capital Markets Europe Limited Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. KBC Bank NV KBL European Private Bankers S.A. Merrill Lynch International Nomura International plc UBS Limited
<b>Issuing, Listing and Principal Paying Agent:</b>	KBL European Private Bankers S.A.
<b>Size:</b>	Up to €40,000,000,000 (or its equivalent in other currencies outstanding at any time. The Issuer and the Guarantor may at any time increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Such currencies as may be specified in the applicable Final Terms.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro.
<b>Maturities:</b>	Such maturities as may be specified in the applicable Final Terms.  Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "FSMA") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see " <i>Subscription and Sale</i> ".
<b>Issue Price:</b>	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.

<b>Form of Notes:</b>	The Notes will be issued in bearer form, as described in <i>"Form of the Notes"</i> .
<b>Terms of the Notes:</b>	<p>The following types of Note may be issued: (i) Notes which bear interest at a fixed or floating rate; (ii) Notes which do not bear interest; and (iii) Notes which bear interest, and/or the redemption amount of which is, calculated by reference to a specified factor such as movements in an index or a currency exchange rate, changes in share or commodity prices or changes in the credit of an underlying entity. In addition, Notes which have any combination of the foregoing features may also be issued.</p> <p>Interest periods, rates of interest and the terms of and/or amounts payable or deliverable on redemption may differ depending on the Notes being issued and such terms will be specified in the applicable Final Terms.</p>
<b>Change of Interest/Payment Basis:</b>	Notes may be converted from one interest and/or payment basis to another if so provided in the applicable Final Terms.
<b>Index Linked Notes:</b>	<p>Payments of interest in respect of Index Linked Interest Notes will be made by reference to a single index or a basket of indices and/or such formula as specified in the applicable Final Terms.</p> <p>Payments of principal in respect of Index Linked Redemption Notes will be calculated by reference to a single index or a basket of indices. The Notes will be redeemed by payment of the Redemption Amount specified in the applicable Final Terms, or if not so specified, as defined in the Terms and Conditions of the Notes.</p> <p>If an Index Adjustment Event occurs, the Notes may be subject to adjustment, the index the subject of such an event may be substituted by a replacement index or the Issuer may redeem the Notes, as more fully set out under <i>"Terms and Conditions of the Notes"</i>.</p>
<b>Equity Linked Notes:</b>	<p>Payments of interest in respect of Equity Linked Interest Notes will be calculated by reference to a single equity security or basket of equity securities on such terms as specified in the applicable Final Terms.</p> <p>Payments of principal in respect of Equity Linked Redemption Notes will be calculated by reference to a single equity security or a basket of equity securities. The Notes will be redeemed by payment of the Redemption Amount specified in the applicable Final Terms or, if not so specified, as defined in the <i>"Terms and Conditions of the Notes"</i>. Equity Linked Redemption Notes may also provide that redemption will be by physical delivery of a given number of Reference Item(s). Accordingly, an investment in</p>

Equity Linked Redemption Notes may bear similar risks to a direct equity investment and investors should take advice accordingly.

If Potential Adjustment Events and/or De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer are specified as applying in the applicable Final Terms, the Notes may be subject to adjustment, the equity security the subject of such an event may be substituted by a replacement equity security or, if De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer are specified as applying in the applicable Final Terms, the Notes may be redeemed, all as more fully set out under *“Terms and Conditions of the Notes”*.

**Additional Disruption Events (Index Linked Notes and Equity Linked Notes only):**

The Notes will be subject to adjustment or may be redeemed upon the occurrence of any Additional Disruption Event specified as applying in the applicable Final Terms.

**Disrupted Days (Index Linked Notes and Equity Linked Notes only):**

The Calculation Agent may determine that a Disrupted Day has occurred or exists at a relevant time. Any such determination may have an effect on the value of the Notes and/or may delay settlement in respect of the Notes. Prospective investors should review the *“Terms and Conditions of the Notes”* and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

**Settlement Risk (Equity Linked Redemption Notes only):**

Where any Notes are to be settled by Physical Delivery, the Calculation Agent may determine that a Settlement Disruption Event is subsisting and/or, where *“Failure to deliver due to Illiquidity”* is specified as applying in the applicable Final Terms, that it is impossible or impractical to deliver when due some or all of the assets due to be delivered due to illiquidity in the relevant market. Any such determination may affect the value of the Notes and/or may delay settlement in respect of the Notes and/or result in whole or partial cash settlement in respect of the Notes. Prospective investors should review the *“Terms and Conditions of the Notes”* and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as specified in the applicable Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.

**Credit Linked Notes:**

Subject to alternative procedures pursuant to Auction Settlement (as set out below), amounts payable in respect of the Notes will be calculated by reference to the credit of a specified entity or entities.

If Conditions to Settlement are satisfied, the Notes will be redeemed, and the Issuer will, if Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms, pay the Credit Event Redemption Amount or, if Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms, Deliver the Deliverable Obligations comprising the Asset Amount.

Where Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and an Auction Final Price Determination Date occurs, the Auction Final Price will be determined according to an auction procedure set out in the applicable rules published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time.

If Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and a Credit Event Determination Date occurs, the Notes will be redeemed and the Issuer will pay the Credit Event Redemption Amount.

Prospective investors should review the *“Terms and Conditions of the Notes”* and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

**Commodity Linked Notes:**

Payments of interest in respect of Commodity Linked Interest Notes will be calculated by reference to a single commodity or basket of commodities on such terms as may be specified in the applicable Final Terms.

Payments of principal in respect of Commodity Linked Redemption Notes will be calculated by reference to a single commodity or basket of commodities on such terms as may be specified in the applicable Final Terms. The Notes will be redeemed by payment of the Redemption Amount specified in the applicable Final Terms.

The Calculation Agent may determine that a Market Disruption Event applicable to such Notes has occurred or exists on a day that is a Pricing Date. In such circumstances, the Relevant Price for that Pricing Date will be determined

in accordance with the first applicable Disruption Fallback that provides the Relevant Price or that provides for the early redemption of the Notes. The Market Disruption Events and Disruption Fallbacks which apply to an issue of Notes will either be set out in the applicable Final Terms or certain Market Disruption Events and Disruption Fallbacks may be deemed to apply to the Notes as set out in the Terms and Conditions of the Notes including, but not limited to, a delay in valuation or an early redemption of the Notes. Any postponement or alternative provisions for valuation may have an adverse effect on the value of the Notes. Prospective investors should review the “*Terms and Conditions of the Notes*” and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

**Currency Linked Notes:**

Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Currency Linked Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the applicable Final Terms.

**Inflation Linked Notes:**

Payments (whether in respect of principal or interest and/or whether at maturity or otherwise) in respect of Inflation Linked Notes will be calculated by reference to a single inflation index or basket of inflation indices on such terms as may be specified in the applicable Final Terms.

**Illegality:**

In the event that the Calculation Agent determines in good faith that the performance of the Issuer’s obligations under a Series of Notes or that any arrangements made to hedge the Issuer’s position under such Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part, the Issuer may, having given notice to Noteholders, redeem all, but not some only, of the Notes of such Series, each Note being redeemed at the Early Redemption Amount, together, if appropriate, with accrued interest.

**Redemption:**

The applicable Final Terms relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default or on an illegality or, in the case of Index Linked Notes, following an Index Adjustment Event or, in the case of Equity Linked Notes and if so specified as applying in the applicable Final Terms, following a De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer or, in the case of Index Linked Notes or Equity Linked Notes and if so specified in the applicable Final Terms, following an Additional Disruption Event or, in the case of Credit Linked Notes and if so specified as applying in the applicable Final Terms,

following a Merger Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Unless otherwise permitted by the current laws and regulations, Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Notes with a maturity of less than one year" above.

**Denomination of Notes:**

Notes will be issued in such denominations as may be specified in the applicable Final Terms. The minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Unless otherwise permitted by then current laws and regulations, Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Notes with a maturity of less than one year" above.

**Taxation:**

If Condition 11(a) is specified as applicable in the applicable Final Terms, all payments in respect of the Notes will be made without deduction of withholding taxes imposed within The Netherlands (in the case of payments by the Issuer) or Belgium (in the case of the Guarantor) subject as provided in Condition 11(a). In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor, will be required to pay additional amounts to cover the amounts so deducted.

If Condition 11(b) is specified as applicable in the applicable Final Terms, neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for



payment, or enforcement of any Note and all payments made by the Issuer or, as the case may be, the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

**Expenses:**

If Physical Delivery is specified in the applicable Final Terms as applying in relation to any Notes, all Delivery Expenses arising from the delivery of any Asset Amount shall be for the account of the relevant Noteholder and no delivery of any Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

**Negative Pledge:**

The terms of the Notes will not contain a negative pledge.

**Cross Default:**

The terms of the Notes will not contain a cross-default provision in respect of either the Issuer or the Guarantor.

**Status:**

The Issuer may issue Senior Guaranteed Notes or Dated Subordinated Guaranteed Notes each of which will be guaranteed by the Guarantor pursuant to the terms of the Guarantee.

**Listing and admission to trading:**

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of publication of this Base Prospectus to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges or markets.

**Governing Law:**

The Notes and the Guarantee will be governed by, and construed in accordance with, English law except that Condition 2(a)(iii) and 2(b)(iii) of the Notes will be governed by Belgian Law and Clause 7 of the Guarantee dealing with the different status of the obligations of the Guarantor under the Guarantee in respect of Senior Guaranteed Notes and Dated Subordinated Guaranteed Notes, respectively, will be governed by Belgian law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, France, The Netherlands, Japan, Italy, the Czech Republic, Poland and the Republic of Slovenia , together with such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See “*Subscription and Sale*” below.

The Issuer is a Category 2 Issuer and the Notes will be issued in compliance with the TEFRA D Rules unless otherwise specified in the applicable Final Terms.

## RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

**THE PURCHASE OF NOTES MAY INVOLVE SUBSTANTIAL RISKS AND MAY BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION SET FORTH IN THIS BASE PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND (II) ALL THE INFORMATION SET FORTH IN THE APPLICABLE FINAL TERMS. PROSPECTIVE INVESTORS SHOULD MAKE SUCH ENQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER, THE GUARANTOR OR ANY DEALER.**

**AN INVESTMENT IN NOTES LINKED TO ONE OR MORE REFERENCE ITEMS MAY ENTAIL SIGNIFICANT RISKS NOT ASSOCIATED WITH INVESTMENTS IN A CONVENTIONAL DEBT SECURITY, INCLUDING BUT NOT LIMITED TO THE RISKS SET OUT BELOW. THE AMOUNT PAID BY THE ISSUER ON REDEMPTION OF THE NOTES MAY BE LESS THAN THE NOMINAL AMOUNT OF THE NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO. WHERE THE NOTES ARE REDEEMED BY THE ISSUER BY DELIVERY OF REFERENCE ITEM(S) THE VALUE OF THE REFERENCE ITEM(S) MAY BE LESS THAN THE NOMINAL AMOUNT OF THE NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO.**

**CERTAIN ISSUES OF NOTES INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT.**

*Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in "Terms and Conditions of the Notes" below.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

The Issuer is a finance vehicle whose principal purpose is to raise debt to be on-lent to the Guarantor and other subsidiaries of the Guarantor. Accordingly, it does not have any trading assets and does not generate trading income. Notes issued under the Programme are guaranteed on a subordinated or an unsubordinated basis, as specified in the applicable Final Terms, pursuant to the Guarantee. Accordingly, if the Guarantor's financial condition were to deteriorate, the Issuer and investors in the Notes may suffer direct and materially adverse consequences.

## **Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee**

### **Economic Activity**

The Guarantor's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economies the Guarantor does business in and market interest rates at the time. As the Guarantor currently conducts the majority of its business in Belgium and Central and Eastern Europe, its performance is influenced by the level and cyclical nature of business activity in these countries which is in turn affected by both domestic and international economic and political events. There can be no assurance that a weakening in these economies will not have a material effect on the Guarantor's future results.

### **Risks Related to the Guarantor's Business**

As a result of its business activities, the Guarantor is exposed to a variety of risks, the most significant of which are credit risk, market risks, operational risk and liquidity risk. Failure to control these risks could result in material adverse effects on the Guarantor's financial performance and reputation.

#### *Credit Risk*

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Guarantor's businesses. Adverse changes in the credit quality of the Guarantor's borrowers and counterparties or a general deterioration in the Belgian, Central and Eastern European or global economic conditions, or arising from systematic risks in the financial systems, could affect the recoverability and value of its assets and require an increase in the Guarantor's provision for bad and doubtful debts and other provisions.

#### *Market Risk*

The most significant market risks the Guarantor faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Guarantor's investment and trading portfolios. The Guarantor has implemented risk management methods to measure and monitor routinely its exposure, resulting in mitigation and control of these other market risks to which the Guarantor is exposed to. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Guarantor's financial performance and business operations.

#### *Operational Risk*

The Guarantor's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, for example, those of the Guarantor's suppliers or counterparties. Although the Guarantor has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

### *Liquidity Risk*

The inability of a bank, including the Guarantor, to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on such bank's ability to meet its obligations when they fall due.

### *Impact of Regulatory Changes*

The Guarantor is subject to financial services laws, regulations, administrative actions and policies in each location that the Guarantor operates. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe, could materially affect the Guarantor's business, the products and services offered or the value of its assets. Although the Guarantor works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Guarantor.

### **Investment Considerations Relating to the Business of the Guarantor and the Guarantor together with its consolidated subsidiaries ("KBC Bank Group")**

*The global economic crisis has posed significant challenges for KBC Bank Group generally, and has severely eroded the capital structure of, and sources of liquidity available to, many banks, including KBC Bank Group*

International economic conditions deteriorated significantly starting from the second half of 2008, and further more during the first half of 2009 and the economies of the United States, Europe, Japan and most of the developed world have been in a sharp recession until the second half of 2009. During this period numerous governments were forced into the role of lender of last resort as funding available to financial institutions from lenders and institutional investors was scarce and threatened the continued stability of the global financial system. The tightening of credit and resulting market turmoil precipitated market volatility, as well as widespread reduction of business activity generally. This has adversely affected KBC Bank Group's business, financial condition, results of operations, liquidity and access to capital and credit. While economic conditions have improved, the economy now being in a phase of fragile recovery, and volatility has decreased from the unprecedented levels of early 2009, substantial uncertainty in global markets and significant constraints on the global credit system remain. There continues to be significant constraints on the availability of reasonable cost of funding in wholesale debt markets, reflecting uncertainty about the impact of the Greek crisis and broader political and economic environment and other factors.

The losses and asset impairments resulting from the current economic situation forced many banks, including KBC Bank, to raise additional capital in order to maintain appropriate capital ratios. See "KBC Bank – Recent Events – Capital Strengthening transactions with the Belgian and Flemish governments". Nonetheless, KBC Bank Group and/or certain of its regulated subsidiaries may need to raise additional capital, either as a result of further asset impairments or other factors. For example, regulatory capital requirements may increase in the future and/or the regulators may change the manner in which they apply existing regulatory requirements to recapitalized banks, including KBC Bank Group. Any failure by KBC Bank Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on operating results, financial condition and prospects. There could also be an expectation for internationally active banks to hold levels of core Tier I capital and shareholders' equity at levels higher than those required by regulators. This could lead the Group being required to hold higher levels of capital than currently envisaged. Any such requirement could reduce the Group's operational flexibility or eliminate earnings growth.

While KBC Bank Group believes that it is adequately capitalized at this time, further injections of additional equity capital, if necessary, may be difficult to achieve in this challenging environment.

In December 2009, the Basel Committee on Banking Supervision (the “Committee”) issued for consultation a package of proposals to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector. The consultation closed on 16th April, 2010. The Committee has planned a comprehensive impact assessment with the objective to ensure that the new standards introduce greater resiliency of individual banks and of the banking sector during periods of stress, while promoting sound credit and financial intermediation activity. It is expected that final proposals will be issued by the end of 2010 with implementation by the end of 2012, possibly with transitional and grandfathering arrangements. It is likely that the proposals, if implemented in their current form without transitional and grandfathering arrangements, would have a negative impact on KBC Bank Group’s capital ratios.

*The acceptance of Government support also includes the acceptance of related risks and obligations*

The acceptance of Government support (see “The Guarantor - Recent Events – Capital Strengthening transactions with the Belgian and Flemish governments”) and the approval of these measures under the European Union State Aid rules was subject to submission by the Belgian authorities of a restructuring plan for KBC Bank Group containing measures to safeguard the long-term viability of KBC Group and to ensure its capacity to repay within a reasonable timeframe the capital received. The restructuring plan was approved on 18th November, 2009 and, under the terms of such approval, the European Commission has imposed a range of conditions on KBC Group and KBC Bank Group, including divestment, conduct of business and other restrictions, some of which could materially impact KBC Bank Group.

Approval by the European Commission of the restructuring plan was also subject to the imposition of certain behavioural commitments imposed on KBC Group, such as maintaining a minimum solvency ratio, respecting certain limitations on executive compensation, some restrictions on acquisitions, and adhering to a price leadership ban in certain conditions.

Further, the strategic plan requires KBC Group and its subsidiaries, including KBC Bank, to engage in restructuring according to the terms outlined in such plan, including the disposal and downsizing of a significant number of business activities of KBC Group. KBC Group has implemented a range of initiatives to give effect to the plan, including some important steps to de-risk aspects of merchant banking business unit businesses. Such divestments are obligatory, even though the European Commission has permitted KBC Group flexibility to avoid the need of conducting disposals at below book-value prices. A number of these initiatives are at a preliminary stage and there can be no assurance that all of the divestments will be realized within the envisaged timeframe or of the cost at which they will be implemented. Additionally, there can be no assurance that the disposal of one or more of the businesses will not impact negatively income and profitability in the future.

*Market conditions can adversely affect KBC Bank Group’s results, and current financial and credit market conditions may persist or worsen and could adversely affect the results of operations of KBC Bank Group*

The businesses and earnings of KBC Bank Group and of its individual business segments are affected by market conditions. General business and economic conditions that could affect KBC Bank Group include the level and volatility of short-term and long-term interest rates, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, fluctuations in foreign exchange, the

availability and cost of credit, investor confidence, and the strength of the economies in which KBC Bank Group operates. The most significant market risks KBC Bank Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of KBC Bank Group's investment and trading portfolios. KBC Bank Group has implemented risk management methods to measure and monitor routinely its exposure, resulting in mitigation and control of these and other market risks— see “Risk Management” below. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate fully the effects that such changes could have on KBC Bank Group's financial performance and business operations. Accordingly, as a result of changing market conditions and the influence of financial and industry cycles, KBC Bank Group's results of operations are subject to volatility that may be outside the control of KBC Bank Group.

In addition, KBC Bank Group's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economies in which KBC Bank Group does business and market interest rates at the time. As KBC Bank Group currently conducts the majority of its business in Belgium and Central & Eastern Europe, its performance is influenced by the level and cyclical nature of business activity in Belgium and Central & Eastern Europe, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a further deterioration in these economies will not have a material adverse effect on KBC Bank Group's future results of operations.

*KBC Bank Group has significant credit risk exposure, and could be adversely affected by the soundness of other borrowers and financial institutions.*

KBC Bank Group is subject to general credit risks inherent in a wide range of KBC Bank Group's businesses, including risks arising from changes in the credit quality and recoverability of loans and amounts due from counterparties. Third parties that owe KBC Bank Group money, securities or other assets may not pay or perform under their obligations. These parties include, among others, borrowers under loans made by KBC Bank Group, the issuers whose securities KBC Bank Group holds, customers, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, guarantors, re-insurers, and other financial intermediaries. These parties may default on their obligations to KBC Bank Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

The current economic conditions have resulted in a dramatic increase in defaults for lenders globally and for KBC Bank Group specifically. This increase in the scope and scale of defaults is evidenced by the very significant increase in the value of impaired loans in the portfolio of KBC Bank Group during 2009, and by the increase in non-performing loans. Any further adverse changes in the credit quality of KBC Bank Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in KBC Bank Group's provision for bad and doubtful debts and other provisions.

A key driving factor of the current global crisis is a dramatic increase in the volume and quantity of credit defaults across all sectors of the economy. KBC Bank Group's ability to engage in routine transactions has been and may continue to be adversely affected by the actions and commercial soundness of other financial institutions as well as the performance of various loans and other assets it holds.

*A downgrade in the credit rating of KBC Bank Group may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges*

The credit ratings of KBC Bank Group are important to maintaining access to key markets and trading counterparties. The major rating agencies regularly evaluate KBC Bank Group and its securities, and their ratings of debt and other securities are based on a number of factors, including financial strength as well as factors not entirely within the control of KBC Bank Group, including conditions affecting the financial services industry generally. Following a series of downgrades in 2008, over the course of 2009, each of the major rating agencies lowered its rating again by one notch. Finally, in March 2010, Moody's reconfirmed its previous rating.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that KBC Bank Group will maintain the current ratings.

KBC Bank Group's failure to maintain its credit ratings could adversely affect the competitive position of KBC Bank Group, make entering into hedging transactions more difficult and increase borrowing costs or limit access to the capital markets or the ability of KBC Bank Group to engage in funding transactions at all. A further reduction in KBC Bank Group credit ratings also could have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical. In connection with certain trading agreements, KBC Bank Group may be required to provide additional collateral in the event of a credit ratings downgrade.

*Market volatility may adversely affect KBC Bank Group's banking and asset management businesses*

Market volatility can negatively affect KBC Bank Group's banking and asset management activities through a reduction in demand for products and services, a reduction in the value of assets held by KBC Bank Group, a decline in the profitability of certain assets and a loss of liquidity in certain asset classes. High volatility can occur not only as a result of purely economic factors, but also as a result of war, acts of terrorism, natural disasters, or other similar events.

Volatility and declines in market indices can reduce unrealised gains or increase unrealised losses in KBC Bank Group's various portfolios or the demand for some of its banking or asset management products. A steep decline in the stock or bond markets could adversely affect investments, could reduce market liquidity, and would likely reduce the popularity of products linked to financial assets and could have a material adverse effect on trading results.

Fluctuations in interest rates affect the returns KBC Bank Group earns on fixed interest investments. Interest rate changes also affect the market values of, and the amounts, of capital gains or losses KBC Bank Group takes on the fixed interest securities it holds. Over the past several years, movements in short- and long-term interest rates have affected KBC Bank Group's net interest income and how much and when KBC Bank Group recognised gains and losses on securities held in its investment portfolios. KBC Bank Group expects such movements will continue to do so in the future. In addition, variations in interest rate sensitivity may exist within the re-pricing periods or between the different currencies in which KBC Bank Group holds interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or result from operations of KBC Bank Group.

The dramatic increase in volatility across the global financial system has impaired the ability of KBC Bank Group to hedge and manage risk. Liquidity risk is inherent in much of KBC Bank Group's business. Numerous asset classes KBC Bank Group deals in have low liquidity, such as privately placed loans, mortgage loans, derivative contracts, illiquid bonds, real estate and limited partnership interests. KBC Bank Group may also make investments directly in securities that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, and as a



result may have limited ability to reduce those positions and therefore reduce the risk associated with such positions. The confluence of the volatility evident in the market in 2008 and 2009 and the decline in market participants due to bankruptcies and other factors has made it even more difficult than anticipated to manage the risk associated with these illiquid investments.

*KBC Bank Group's risk management methods may leave it exposed to unidentified, unanticipated, or incorrectly quantified risks, which could lead to material losses or material increases in liabilities*

The current global economic situation and the widespread problems faced by both small and multinational banks have demonstrated the inadequacies of many aspects of risk management in the banking industry. KBC Bank Group devotes significant resources to developing risk management policies, procedures and assessment methods for its banking and asset management businesses. KBC Bank Group applies both quantitative and qualitative methods to arrive at quantifications of risk exposures. Nonetheless, such risk management techniques and strategies may not be fully effective in mitigating risk exposure in all economic market environments or against all types of risk, including risks that KBC Bank Group fails to identify or anticipate. These failures can be exacerbated where other market participants are using risk or trading models that are similar to those of KBC Bank. As a result, KBC Bank Group's losses thus could be significantly greater than such measures would indicate.

KBC Bank Group uses a value-at-risk ("VaR") approach as one of its key risk management tools. The VaR model, while still widely used among financial institutions and approved by the relevant regulators, has been criticised for failing to take into account extraordinary events, such as the bankruptcy of Lehman Brothers in September of 2008, when evaluating ongoing risks in the portfolio. Additionally, VaR, as with some of KBC Bank Group's other quantitative tools and metrics for managing risk, is based upon use of observed historical market behaviour and assumptions about the degrees of correlation among prices of various asset classes or other market indicators. In times of market stress or other unforeseen circumstances, such as the market conditions experienced during 2008 and also in 2009, previously negatively correlated assets may become positively correlated, or previously positively correlated assets may move in different directions. These types of market movements may limit the effectiveness of hedging strategies and may cause KBC Bank Group to incur significant losses. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to that of KBC Bank Group. In these and other cases, it may be difficult to reduce risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are declining significantly or no market exists for certain assets.

KBC Bank Group also uses a qualitative approach to managing risks that takes into account a broader set of risks but is less precise than quantified modelling and could prove insufficient. Unanticipated or incorrectly quantified risk exposures could result in material losses in KBC Bank Group's banking and asset management businesses.

*The documentation and settlement of certain derivative contracts may leave KBC Bank Group exposed to lower recovery rates in the event of a counterparty bankruptcy*

KBC Bank Group is party to derivative transactions, including credit derivatives. Some of these derivative instruments are individually negotiated and non-standardised, which can make exiting, transferring or settling the position difficult. Many credit derivatives require delivery to the counterparty of the underlying security, loan or other obligation in order to receive payment. In a number of cases, KBC Bank Group does not hold, and may not be able to obtain, the underlying security, loan or other obligation. This could cause KBC Bank Group to forfeit the payments due under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs.

Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, KBC Bank Group is subject to heightened credit and operational risk and in the event of default may find it more difficult to enforce the contract. In addition, as new and more complex derivative products have been created, covering a wider array of underlying credit and other instruments, disputes about the terms of the underlying contracts may arise, which could impair the ability of KBC Bank Group to effectively manage its risk exposures from these products and subject KBC Bank Group to increased costs.

*As part of the financial services industry, KBC Bank Group faces substantial competitive pressures that could adversely affect its results of operations*

There is substantial competition in the regions in which KBC Bank Group does business for the types of banking and asset management and other products and services that KBC Bank Group provides. In its home Belgian market, KBC Bank Group faces substantial competition from BNP Paribas Fortis, ING Group and Dexia, among others. In addition, KBC Bank Group has recently faced increased competition in the Belgian savings market from smaller-scale banking competitors seeking to enlarge their respective market shares by offering higher interest rates. In Central & Eastern Europe, KBC Bank Group faces competition from the regional banks in each of the jurisdictions in which it operates and from others, such as UniCredit, Erste Bank and Raiffeisen International. Competition is also affected by consumer demand, technological changes, regulatory actions and other factors. These competitive pressures could result in increased pricing pressures on a number of KBC Bank Group's products and services and in the loss of market share in one or more such markets.

*There are risks associated with KBC Bank Group's businesses in Central & Eastern Europe and Russia*

KBC Bank Group conducts significant operations in Central & Eastern Europe, and also conducts business in Russia. While these markets have, in years past, afforded KBC Bank Group opportunities to develop its business in countries that had fast-growing economies and, in many cases, are now member states of the European Union, KBC Bank Group's activities in this region should be understood in the context of the inherent risks associated with doing business in Central & Eastern Europe and Russia, including economic, political, legal and other risks that are not a feature of doing business in KBC Bank Group's primary Belgian and many other markets. In addition, the financial crisis has led to deep recession in most of the Central & Eastern European countries until the beginning of 2010 and had a dramatic adverse impact on public finances across the whole region. These factors impacted the performance of KBC Bank Group in 2008 and 2009 (with the result that further planned expansion in the region has been significantly scaled back) and there continues to be very serious challenges faced by the economies of several countries in Central & Eastern Europe and Russia where KBC Bank Group does business. Furthermore, although KBC Bank Group aims to implement consistent IT, risk management, lending and other controls throughout its business, the integration of such new businesses has in the past and will continue to present challenges and associated risks for some time to come, including the integration risks that accompany all acquisitions.

*While KBC Bank Group manages its operational risks, these risks remain an inherent part of its businesses.*

KBC Bank Group's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risks and losses can result, among others, from fraud, errors by employees, failure to document transactions properly or to obtain proper international authorization, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems (for example, those of KBC Bank Group's suppliers or counterparties). Although KBC Bank Group has implemented risk controls and

loss mitigation actions with respect to these operational risks, and substantial resources are devoted to developing and monitoring efficient procedures, group standards and to staff training to manage them, it is not possible to implement procedures that are fully effective in controlling each of these operational risks.

*Catastrophic events, terrorist attacks and other acts of war could have a negative impact on the business and results of operations of KBC Bank Group.*

Catastrophic events, terrorist attacks, other acts of war or hostility, and responses to those acts may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which KBC Bank Group operates and, more specifically, on the business and results of operations of KBC Bank Group in ways that cannot be predicted.

*KBC Bank Group's results of operations can be adversely affected by significant adverse regulatory developments, including changes in tax law*

KBC Bank Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in Belgium and the other regions in which KBC Bank Group does business. Changes in supervision and regulation, in particular in Belgium and Central & Eastern Europe, could materially affect KBC Bank Group's business, the products and services offered by it or the value of its assets. The recent global economic downturn has resulted in calls for significant changes to regulatory regimes in the U.S., Belgium and other countries. Although KBC Bank Group works closely with its regulators and continually monitors regulatory developments, it is too early to be able to determine the impact of such changes, and future changes in regulation, fiscal or other policies can be unpredictable and beyond its control.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### **The Notes may not be a suitable investment for all investors**

Each of the risks highlighted below could adversely affect the trading price of any Notes or the rights of investors under any Notes and, as a result, investors could lose some or all of their investment. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer and/or the Guarantor may be unable to pay or deliver amounts on or in connection with any Notes for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all the information contained in the applicable Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal and/or interest payable in one or more currencies, or where the currency for principal and/or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In addition an investment in the Equity Linked Notes, Index Linked Notes, Commodity Linked Notes, Credit Linked Notes, Currency Linked Notes, Inflation Linked Notes (each as defined below) or other Notes linked to one or more Reference Item(s), may entail significant risks not associated with investments in a conventional debt security, including but not limited to, the risks set out in "*Risks related to the structure of a particular issue of Notes set out below*".

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

##### *Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

In respect of Notes which are conventional debt securities, the Issuer may be expected to redeem such Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### **Risks relating to Reference Item Linked Notes**

Dual Currency Notes, Equity Linked Notes, Index Linked Notes, Commodity Linked Notes, Credit Linked Notes, Currency Linked Notes and Inflation Linked Notes (each as defined below and together "Reference Item Linked Notes") involve a high degree of risk.

Prospective investors in Reference Item Linked Notes should understand the risks of transactions involving Reference Item Linked Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Reference Item Linked Notes in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Reference Item Linked Notes and the particular Reference Item(s) to which the value of, or payments in respect of, the relevant Reference Item Linked Notes may relate, as specified in the applicable Final Terms.

As the amount of interest payable periodically and/or principal payable at maturity may be linked to the performance of the relevant Reference Item(s), an investor in a Reference Item Linked Note must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s).

Where the applicable Final Terms specify one or more Reference Item(s), the relevant Reference Item Linked Notes will represent an investment linked to the economic performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in Reference Item Linked Notes will depend upon the performance of such Reference Item(s). Potential investors should also note that whilst the market value of such Reference Item Linked Notes is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change may not be comparable and may be disproportionate. It is impossible to predict how the level of the relevant Reference Item(s) will vary over time. In contrast to a direct investment in the relevant Reference Item(s), Reference Item Linked Notes represent the right to receive payment or delivery, as the case may be, of the relevant cash amount and/or asset amount on the relevant Maturity Date as well as periodic payments of interest (if specified in the applicable Final Terms), all or some of which may be determined by reference to the performance of the relevant Reference Item(s). The applicable Final Terms will set out the provisions for the determination of any cash amount and/or asset amount and of any periodic interest payments.

**PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW BOTH ANY CASH AMOUNTS AND/OR ASSET AMOUNTS ARE PAYABLE OR DELIVERABLE AND HOW ANY PERIODIC INTEREST PAYMENTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE, AS THE CASE MAY BE, BEFORE MAKING ANY DECISION TO PURCHASE ANY REFERENCE ITEM LINKED NOTES.**

Fluctuations in the value and/or volatility of the relevant Reference Item(s) may affect the value of the relevant Reference Item Linked Notes. Investors in Reference Item Linked Notes may risk losing their entire investment if the value of the relevant Reference Item(s) does not move in the anticipated direction.

There is no return on Reference Item Linked Notes other than the potential payment or delivery, as the case may be, of the relevant cash amount and/or asset amount on the Maturity Date and payment of any periodic interest payments.

Other factors which may influence the market value of Reference Item Linked Notes include interest rates, potential dividend or interest payments (as applicable) in respect of the relevant Reference Item(s), changes in the method of calculating the level of the relevant Reference Item(s) from time to time and market expectations regarding the future performance of the relevant Reference Item(s), its composition and such Reference Item Linked Notes.

If any of the relevant Reference Item(s) is an index, the value of such Reference Item on any day will reflect the value of its constituents on such day. Changes in the composition of such Reference Item

and factors (including those described above) which either affect or may affect the value of the constituents, will affect the value of such Reference Item and therefore may affect the return on an investment in Reference Item Linked Notes.

The Issuer may issue several issues of Reference Item Linked Notes relating to particular Reference Item(s). However, no assurance can be given that the Issuer will issue any Reference Item Linked Notes other than the Reference Item Linked Notes to which the applicable Final Terms relate. At any given time, the number of Reference Item Linked Notes outstanding may be substantial. Reference Item Linked Notes provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item(s) to which such Reference Item Linked Notes relate.

#### *Dual Currency Notes*

Dual Currency Notes may be redeemable by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s), which may be less than the par value amount. Interest payable on Dual Currency Notes may be calculated by reference to the value of one or more Reference Item(s).

#### *Equity Linked Notes*

The Issuer may issue Notes where the amount of principal (“Equity Linked Redemption Notes”) and/or interest (“Equity Linked Interest Notes”) payable is dependent upon the price of or changes in the price of an equity security or a basket of equity securities or where, depending on the price of or change in the price of an equity security or a basket of equity securities, on redemption the Issuer’s obligation is to deliver specified assets (together “Equity Linked Notes”).

Potential investors in any such Notes should be aware that, depending on the terms of the Equity Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment. In addition, movements in the price of the equity security or basket of equity securities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the equity security or equity securities may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price of the equity security or equity securities, the greater the effect on yield.

If the amount of principal and/or interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the equity security or equity securities on principal and/or interest payable will be magnified.

If a Disrupted Day occurs, this may have an effect on the timing of valuation and consequently the value of the Notes and/or may delay (i) any applicable interest payments in the case of Equity Linked Interest Notes, or (ii) settlement in the case of Equity Linked Redemption Notes. Prospective purchasers should review the Terms and Conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

If Potential Adjustment Events and/or De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer is/are specified as applying in the applicable Final Terms, prospective purchasers should note that the Notes may be subject to either (A) adjustment by the Calculation Agent or (B) the substitution of the equity security the subject of such an event by a replacement equity security selected by the Calculation Agent, as further provided in Condition 8(b)(i), in the case of a Potential Adjustment Event, or Condition 8(b)(ii), in the case of a Delisting, Merger Event, Nationalisation or

Insolvency and/or Tender Offer, or, in the case of a Delisting, Merger Event, Nationalisation or Insolvency and/or Tender Offer, the Issuer may also redeem the Notes early at the Early Redemption Amount specified in the applicable Final Terms.

In respect of Equity Linked Notes relating to an equity security or equity securities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such equity security or equity securities is/are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, prospective purchasers should note that the Calculation Agent will adjust any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of the Terms and Conditions and/or the applicable Final Terms as the Calculation Agent determines in its sole and absolute discretion to be appropriate to preserve the economic terms of the Notes. Prospective purchasers should also note that the Calculation Agent will make any conversion necessary for the purposes of any such adjustment as of the relevant Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the relevant Valuation Time.

Where the Notes provide for Physical Delivery, the Calculation Agent may determine that a Settlement Disruption Event is subsisting and/or where “Failure to Deliver due to Illiquidity” is specified as applying in the applicable Final Terms, that it is impossible or impracticable to deliver when due some or all of the assets due to be delivered due to illiquidity in the relevant market. A Settlement Disruption Event is an event beyond the control of the Issuer, as a result of which, in the opinion of the Calculation Agent, delivery of the specified assets to be delivered by or on behalf of the Issuer or the Guarantor, as the case may be, in accordance with the Terms and Conditions of the Notes and/or the applicable Final Terms, is not practicable. Any such determination may affect the value of the Notes and/or may delay settlement in respect of the Notes.

The market price of such Notes may be volatile and may be affected by the time remaining to the redemption date, the volatility of the equity security or equity securities, the dividend rate (if any) and the financial results and prospects of the issuer or issuers of the relevant equity security or equity securities as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such securities may be traded.

#### *Index Linked Notes*

The Issuer may issue Notes where the amount of principal (“Index Linked Redemption Notes”) and/or interest (“Index Linked Interest Notes”) payable is dependent upon the level, or changes in the level, of an index or a basket of indices (together “Index Linked Notes”).

Potential investors in any such Notes should be aware that, depending on the terms of the Index Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their principal investment. In addition, movements in the level of the index or basket of indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the level of an index or result of a formula, the greater the effect on yield.

If the amount of principal and/or interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the index or the indices on principal and/or interest payable will be magnified.

If a Disrupted Day occurs, this may have an effect on the timing of valuation and consequently the value of the Notes and/or may delay (i) any applicable interest payments, in the case of Index Linked Interest Notes, or (ii) settlement, in the case of Index Linked Redemption Notes. Prospective purchasers should review the Terms and Conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

If an Index Adjustment Event (as defined in the “*Terms and Conditions of the Notes*” and relating to a relevant index modification, cancellation or disruption) occurs, prospective purchasers should note that the Issuer may either require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Notes and, if so, to either (A) calculate the Reference Price or (B) substitute the index the subject of such Index Adjustment Event with a replacement index, in each case as further provided in Condition 7(b)(ii)(a), or may redeem the Notes early at the Early Redemption Amount specified in the applicable Final Terms.

The market price of such Notes may be volatile and may be affected by the time remaining to the redemption date and the volatility of the level of the index or indices. The level of the index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the index or indices may be traded.

#### *Additional Disruption Events (Index Linked Notes and Equity Linked Notes only)*

The Notes will be subject to adjustment or may be redeemed upon the occurrence of any Additional Disruption Event specified as applying in the applicable Final Terms.

#### *Commodity Linked Notes*

The Issuer may issue Notes where the amount of principal (“Commodity Linked Redemption Notes”) and/or interest (“Commodity Linked Interest Notes”) payable is dependent upon the price of or changes in the price of a commodity or a basket of commodities or where, depending on the price or change in the price of the commodity or basket of commodities, on redemption the Issuer’s obligation is to deliver specified assets (together “Commodity Linked Notes”).

Potential investors in any such Notes should be aware that depending on the terms of the Commodity Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment. In addition, the movements in the price of the commodity or basket of commodities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the commodity or commodities may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price or prices of the commodities, the greater the effect on yield.

If the amount of principal and/or interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the commodity or commodities on principal, interest payable or the amount of specified assets deliverable will be magnified.



The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the price of the commodity or commodities.

Commodity futures markets are highly volatile. Commodity markets are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programmes and policies designed to influence commodity prices, world political and economic events, and changes in interest rates. Moreover, investments in futures and options contracts involve additional risks including, without limitation, leverage (margin is usually a percentage of the face value of the contract and exposure can be nearly unlimited). A holder of a futures position may find such position becomes illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the liquidation of unfavourable positions and subject an investor in a Commodity Linked Note linked to such contract prices to substantial losses.

In relation to Commodity Linked Notes, if the Calculation Agent determines that a Market Disruption Event applicable to such Notes has occurred or exists on a day that is a Pricing Date, the Relevant Price for that Pricing Date will be determined in accordance with the first applicable Disruption Fallback that provides the Relevant Price or that provides for the early redemption of the Notes. The Market Disruption Events and Disruption Fallbacks which apply to an issue of Notes will either be set out in the applicable Final Terms or certain Market Disruption Events and Disruption Fallbacks may be deemed to apply to the Notes as set out in the Terms and Conditions of the Notes including, but not limited to, a delay in valuation or an early redemption of the Notes. Any postponement or alternative provisions for valuation may have an adverse effect on the value of the Notes. Prospective investors should review the Terms and Conditions of the Notes and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

The yield on Commodity Linked Notes linked to commodity futures contracts or commodity indices may not be perfectly correlated to the trend in the price of the underlying commodities as the use of such future commodity contracts generally involves a rolling mechanism. This means that the commodity futures contracts which expire prior to the relevant payment date under the relevant Notes are replaced with future commodity contracts that have a later expiry date. Investors may therefore only marginally benefit from any rise/fall in prices on such commodities.

Moreover, investors should consider that the commodity futures contracts could have a trend which differs significantly from that of the commodity spot markets. The trend in the price of a commodity futures contracts compared to the underlying commodity is closely linked to the present and future level of the production of the underlying commodity or to the level of estimated natural reserves, particularly in the case of energy linked products. In addition, the price of the relevant commodity futures contract may not be considered an accurate prediction of a market price, since it also includes the so-called carrying costs (such as, for example, warehouse costs, insurance covering the goods, etc.), which also contribute toward the determination of the price of the commodity futures contracts. These factors which directly influence the commodities prices substantially explain the imperfect correlation between the commodity spot markets and the commodity futures contracts.

## *Credit Linked Notes*

### General risks relating to Credit Linked Notes

The Issuer may issue Notes (“Credit Linked Notes”) (i) where the amount payable on redemption is dependent upon whether certain events (“Credit Events”) have occurred in respect of one or more Reference Entity/Entities and, if so, on the value of certain specified assets of such Reference Entity/Entities or (ii) where, if such events have occurred, the Issuer’s obligation on redemption is to deliver certain specified assets.

Prospective investors in any such Credit Linked Notes should be aware that depending on the terms of the Credit Linked Notes (i) they may receive no or a limited amount of interest, (ii) (A) the payment of the redemption amount or interest or (B) the delivery of any specified assets may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment.

The market price of Credit Linked Notes may be volatile and will be affected by, amongst other things, the time remaining to the redemption date or settlement date, as applicable, prevailing credit spreads and the creditworthiness of the Reference Entity/Entities which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

Where the Credit Linked Notes provide for physical delivery, the Issuer may determine that the specified assets to be delivered are either (a) assets which for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the delivery of assets which are loans) it is impossible or illegal to deliver on the specified settlement date or (b) assets which the Issuer and/or any of its Affiliates has not received under the terms of any transaction and/or trading position entered into by the Issuer and/or any of its Affiliates to hedge the Issuer’s obligations in respect of the Credit Linked Notes. Any such determination may delay settlement in respect of the Credit Linked Notes and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount which, in either case, may affect the value of the Credit Linked Notes and, in the case of payment of a cash amount, will affect the timing of the valuation of such Credit Linked Notes and, as a result, the amount payable on redemption. Prospective investors should review the Terms and Conditions and the applicable Final Terms to ascertain whether and how such provisions should apply to the Credit Linked Notes.

The Issuer, the Guarantor, the Dealer(s) or any of their respective Affiliates may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Reference Entity/Entities that they may not disclose. Prospective investors must therefore make an investment decision based upon their own due diligence and purchase the Credit Linked Notes in the knowledge that non-public information which the Issuer, the Guarantor, the Dealer(s) or any of their respective Affiliates may have will not be disclosed to investors. None of the Issuer, the Guarantor, the Dealer(s) and any of their respective Affiliates is under any obligation (i) to review on the Noteholders’ behalf, the business, financial conditions, prospects, creditworthiness, status or affairs of the Reference Entity/Entities or conduct any investigation or due diligence into the Reference Entity/Entities or (ii) other than as may be required by applicable rules and regulations relating to the Notes, to make available (a) any information relating to the Notes or (b) any non-public information they may possess in respect of the Reference Entity/Entities.

In the case of Physical Delivery, where the Reference Obligation is a loan, in order for the Delivery of the loan (or an interest in the loan) to be effected, the Reference Obligation must be capable of being transferred to the Noteholders in accordance with its terms and the Noteholders must have the capacity to hold such loan (or loan interest).

The Issuer's obligations in respect of Credit Linked Notes are irrespective of the existence or amount of the Issuer's and/or any of its Affiliates' credit exposure to a Reference Entity and the Issuer and/or any of its Affiliates need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

#### 2003 ISDA Credit Derivatives Definitions

While there are many similarities between the terms used in this Base Prospectus (in particular, in Condition 10) and the terms used in the 2003 ISDA Credit Derivative Definitions, as supplemented from time to time, (the "Credit Derivative Definitions"), there are a number of differences. In particular, the Issuer and the Guarantor have determined that certain provisions of the Credit Derivatives Definitions, which are intended for use by market participants in "over the counter" transactions, require amendment when incorporated in the terms of an offering of securities such as the Credit Linked Notes. Therefore, a prospective investor should understand that the complete terms and conditions of the Credit Linked Notes are as set out in this Base Prospectus and the applicable Final Terms and that the Credit Derivative Definitions are not incorporated by reference herein. Consequently, investing in Credit Linked Notes is not necessarily equivalent to investing in a credit default swap that incorporates the Credit Derivatives Definitions.

While ISDA has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit derivatives market, the credit derivatives market has evolved over time and is expected to continue to change. Consequently, the Credit Derivatives Definitions and the terms applied to credit derivatives, including Credit Linked Notes, are subject to further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution in the market, the Credit Linked Notes may not conform to future market standards. Such a result may have a negative impact on the Credit Linked Notes.

There can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Issuer, the Guarantor or the Noteholders. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to amend such Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the Credit Linked Notes have been met.

#### *Risks relating to Auction Settlement of Credit Linked Notes*

##### Auction Settlement

Where an Auction Final Price Determination Date occurs, the Auction Final Price will be determined according to an auction procedure set out in the relevant Transaction Auction Settlement Terms, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Auction Final Price determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the relevant Reference Entity or Reference Obligation. The Issuer, the Guarantor and the Noteholders may have little or no influence in the outcome of any such auction.

##### Auction Final Price and the Issuer's and/or the Guarantor's ability to influence the Auction Final Price

If the Notes are redeemed following the occurrence of a Credit Event, the amount payable in respect of the Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the relevant Transaction Auction Settlement Terms. There is a possibility

that the Issuer, the Guarantor or the Calculation Agent (or one of their respective Affiliates) would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), the Issuer, the Guarantor or the Calculation Agent (or an Affiliate of any of them) shall be under no obligation to consider the interests of any Noteholder.

If the relevant Credit Derivatives Determinations Committee does not decide to conduct an auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the applicable Final Terms, then the Fallback Settlement Method shall apply. In such circumstances, either the Final Price will be determined pursuant to the Valuation Method or the Issuer will Deliver to Noteholders the Asset Amount.

#### Role of the Credit Derivatives Determinations Committee

Credit Derivatives Determinations Committees were established pursuant to the March 2009 Supplement to the Credit Derivatives Definitions to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. In respect of a Credit Event relating to a Credit Linked Note, prospective purchasers should note that the relevant Credit Derivatives Determinations Committee has the power to make binding decisions on critical issues such as whether a Credit Event has occurred, which obligations are to be valued and whether an auction should take place in accordance with and as more fully described in the Credit Derivatives Determinations Committees Rules, a form of which may be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof. Consequently, the payments on the Notes and the timing of any such payments may be affected by any such relevant decisions or subsequent determinations if Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms.

#### Credit Event and Succession Event Backstop Dates

In respect of a Credit Event relating to a Series of Credit Linked Notes, a Credit Event may not be triggered unless a request is submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event within 60 calendar days of the occurrence of such potential Credit Event unless a Credit Event Determination Date has already occurred with respect to such event. For Succession Events, the look-back period is 90 calendar days and functions similarly. These provisions mean that there is a time limit on the ability to act on a Credit Event or Succession Event and that it is possible that the Notes could be affected by a Credit Event or Succession Event that took place prior to the Trade Date.

#### Settlement Suspension, Adjustments and Interest Provisions

If, following the determination of a Credit Event Determination Date in accordance with subparagraph (a) of the definition of Credit Event Determination Date but prior to the Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to determine the occurrence of a Credit Event, the Calculation Agent may at its option determine that the applicable timing requirements of Condition 10 and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other provision of Condition 10 as determined by the Calculation Agent in its sole discretion,

shall toll and be suspended and remain suspended (such period of suspension, a "Suspension Period") until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has resolved (a) that a Credit Event has or has not occurred or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has made such resolution, the relevant timing requirements of Condition 10 that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

In the event of any such Suspension Period, the Calculation Agent may make (i) such consequential or other adjustment(s) or determination(s) to or in relation to Condition 10 as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (ii) determine the effective date of such adjustment(s) or determination(s).

In the case of interest bearing Notes:

- (A) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (B) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Interest Payment Date and no later than the fifth Interest Payment Date following the end of the Suspension Period, all subject to the provisions of Condition 3 and Conditions 10(e), (f) and (g).

#### *Currency Linked Notes*

The Issuer may issue Notes where the amount of principal ("Currency Linked Redemption Notes") and/or interest ("Currency Linked Interest Notes") payable is dependent upon movements in currency exchange rates or are payable in one or more currencies which may be different from the currency in which the Notes are denominated (together "Currency Linked Notes").

Potential investors in any such Notes should be aware that, depending on the terms of the Currency Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time or in a different currency than expected and (iii) they may lose all or a substantial portion of their investment. In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield.

If the amount of principal and/or interest payable is dependent upon movements in currency exchange rates and is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the currency exchange rates on principal or interest payable will be magnified.

The market price of such Notes may be volatile and, if the amount of principal and/or interest payable is dependent upon movements in currency exchange rates, may depend upon the time remaining to the redemption date and the volatility of currency exchange rates. Movements in currency exchange rates may be dependent upon economic, financial and political events in one or more jurisdictions.

### *Inflation Linked Notes*

The Issuer may issue Notes where the amount of principal (“Inflation Linked Redemption Notes”) and/or interest (“Inflation Linked Interest Notes”) payable is dependent upon movements in an inflation index or a basket of inflation indices (together “Inflation Linked Notes”).

Potential investors in any such Notes should be aware that, depending on the terms of the Inflation Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment.

If the amount of principal and/or interest payable is dependent upon movements in the level of one or more inflation indices and is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the relevant inflation indices on principal or interest payable will be magnified.

The market price of such Notes may be volatile and, if the amount of principal and/or interest payable is dependent upon movements in the level of one or more inflation indices, may depend upon the time remaining to the redemption date and the volatility of the relevant inflation indices.

Many economic and market factors may influence the value of Inflation Linked Notes including, *inter alia*:

- general economic, financial, political or regulatory conditions;
- fluctuations in the prices of various consumer goods and energy resources; and
- inflation and expectations concerning inflation.

Any such factors may either offset or magnify each other.

### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate (LIBOR). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### *Capped Floating Rate Notes*

Capped Floating Rate Notes usually have an interest rate equal to the sum of a reference rate such as LIBOR and the specified margin (if any) subject to a maximum specified rate. The maximum amount of interest payable in respect of these Notes will occur when the sum of the reference rate and the specified margin (if any) equals the maximum specified rate. Investors in Capped Floating Rate Notes will therefore not benefit from any increase in the relevant reference rate which, when the specified margin is added to such reference rate, would otherwise cause such interest rate to be exceeded the maximum specified rate. The market value of these Notes would therefore typically fall the closer the sum of the relevant reference rate and the margin is to the maximum specified rate.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *The Issuer's obligations under Dated Subordinated Guaranteed Notes are subordinated*

The Issuer's obligations under Dated Subordinated Guaranteed Notes will be unsecured and subordinated. In the event of a dissolution or liquidation (including, without limiting the generality of the foregoing, bankruptcy ("*faillissement*") and moratorium ("*surséance van betaling*") under the laws of The Netherlands) of the Issuer, the relevant Noteholders' claims shall be subordinated in right of payment to the claims of unsecured creditors of the Issuer (other than creditors in respect of indebtedness which is subordinated to at least the same extent as the Notes).

### *The Guarantor's obligations under the Dated Subordinated Guarantee are subordinated*

Claims in respect of the Dated Subordinated Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and shall, in the event of dissolution or liquidation (meaning any event creating a "*samenloop van schuldeisers/concours de créanciers*" including, without limiting the generality of the foregoing, bankruptcy ("*faillissement/faillite*"), moratorium ("*gerechtelijk akkoord/concordat judiciaire*") and judicial or voluntary liquidation ("*liquidation volontaire ou forcée/vrijwillige of gedwongen vereffening*"), under the laws of Belgium) of the Guarantor, be subordinated in right of payment to the claims of depositors and other unsecured creditors of the Guarantor (other than creditors in respect of indebtedness which is subordinated to at least the same extent as the obligations of the Guarantor in respect of the Dated Subordinated Guaranteed Notes).

### *Additional Risk Factors*

Additional risk factors in relation to specific issues of Notes may be included in the applicable Final Terms.

### **General risks related to a particular issue of Notes**

#### *No Claim against any Reference Item*

A Note will not represent a claim against any Reference Item and, in the event that the amount paid on redemption of the Notes is less than the nominal amount of the Notes, a Noteholder will not have recourse under a Note to any Reference Item.

***An investment in Notes linked to one or more Reference Items may entail significant risks not associated with investments in conventional debt securities, including but not limited to the risks set out in this section “Risks related to the structure of a particular issues of Notes”. The amount paid or value of the specified assets delivered by the Issuer on redemption of such Notes may be less than the principal amount of the Notes, together with any accrued interest, and may in certain circumstances be zero.***

#### *Hedging*

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer and/or any of its affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in the Reference Item(s) or related derivatives. In addition, in connection with the offering of the Notes, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in the Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the Notes and which could be adverse to the interests of the relevant Noteholders.

#### *Conflicts of Interest*

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Notes that may influence the amount receivable or specified assets deliverable on redemption of the Notes.

The Issuer and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item that is or may be material in the context of the Notes and may or may not be publicly available to Noteholders. There is no obligation on the Issuer or any Dealer to disclose to Noteholders any such information.

The Issuer and/or any of its affiliates may have existing or future business relationships with any Reference Item(s) (including, but not limited to, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Noteholder.



## **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

### *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Agent and the Issuer may agree, without the consent of the Noteholders to any modification (subject to certain specific exceptions) of the Agency Agreement which is not prejudicial to the interests of the Noteholders or any modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Until 31st December, 2009, Belgium also operated a transitional withholding tax system as provided above. By two Royal Decrees dated 27th September, 2009 and published in the Belgian Official Gazette (*Belgisch Staatsblad/Moniteur Belge*) on 1st October, 2009, the Belgian State elected to abandon the transitional withholding system and provide information in accordance with the EU Savings Directive as from 1st January, 2010.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or a withholding system; a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

On 15th September, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13th November, 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament expressed its opinion on this proposal on 24th April, 2009 and the Council adopted unanimous conclusions on 9th June, 2009 relating to the proposal. If any of those proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State or non-EU country or dependent or associated territories which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

#### *Change of law*

The Notes will be governed by English law, except that the subordination provisions under the Dated Subordinated Guaranteed Notes and the Dated Subordinated Guarantee will be governed by Belgian law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or Belgian law or administrative practice after the date of this Base Prospectus.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *No taxation gross-up on certain issues of Notes*

If Condition 11(b) is specified as applicable in the applicable Final Terms, neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer or, as the case may be, the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

#### *Taxation and expenses*

Potential purchasers and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred and/or any relevant assets are delivered.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

If Physical Delivery is specified in the applicable Final Terms as applying in relation to any Notes, all Delivery Expenses arising from the delivery of the Reference Item(s) in respect of such Note shall be

for the account of the relevant Noteholder and no delivery of the Reference Item(s) shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Market Value of Notes*

The market value of an issue of Notes will be affected by a number of factors independent of the creditworthiness of the Issuer, including, but not limited to:

- (i) the value and volatility of the Reference Item(s);
- (ii) in the case of Credit Linked Notes, the creditworthiness of the Reference Entity or Reference Entities;
- (iii) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;

- (iv) market interest and yield rates;
- (v) fluctuations in exchange rates;
- (vi) liquidity of the Notes or any Reference Item(s) in the secondary market;
- (vii) the time remaining to any redemption date or the maturity date;
- (viii) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded.

The price at which a Noteholder will be able to sell any Notes prior to maturity may be at a discount, which could be substantial, to the market value of such Notes on the issue date, if, at such time, the market price of the Reference Item(s) is below, equal to or not sufficiently above the market price of the Reference Item(s) on the issue date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of any Note.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

**Prospective investors who consider purchasing any Notes should reach an investment decision only after carefully considering the suitability of such Notes in light of their particular circumstances.**

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF, shall be incorporated in, and form part of, this Base Prospectus:

- (a) the audited non-consolidated annual financial statements of the Issuer for the financial years ended 31st December, 2008 and 31st December, 2009, together, in each case, with the related auditors' report; and
- (b) the audited consolidated annual financial statements of the Guarantor for the financial years ended 31st December, 2008 and 31st December, 2009, together, in each case, with the related auditors' report.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in a document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu) and from the registered office of the Issuer. This Base Prospectus will also be published on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu).

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Notes or any change in the condition of the Issuer which is material in the context of the Programme or the issue of any Notes, prepare and publish a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes. Furthermore, each of the Issuer and the Guarantor has undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*") that it will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of the Issuer or the Guarantor which is not reflected in this Base Prospectus, prepare a further supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new base prospectus will be prepared.

***Specific items contained in “Documents Incorporated by Reference”***

Documents	Page Number
<i>Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31st December, 2009</i>	
balance sheet	3
profit and loss account	4
cash flow statement	5
notes to the financial statements	6-17
auditors’ report	19-20
<i>Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31st December, 2008</i>	
balance sheet	3
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<i>Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31st December, 2009</i>	
balance sheet	53-54
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<i>Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31st December, 2008</i>	
balance sheet	43
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Information contained in the documents incorporated by reference other than information listed in the table above is for informational purposes only.

## GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency (and having a minimum maturity of one month), subject as set out herein. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*” below.

This Base Prospectus and any supplement will only be valid for listing Notes on the Luxembourg Stock Exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €40,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the euro equivalent of Commodity Linked Notes, Credit Linked Notes, Currency Linked Notes, Inflation Linked Notes, Dual Currency Notes, Equity Linked Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the euro equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

### *Subordinated Notes and Subordinated Guarantee*

The payment of all amounts in respect of the Dated Subordinated Guaranteed Notes has been guaranteed by the Guarantor pursuant to the Guarantee, as more fully described in *Terms and Conditions of the Notes – Condition 2(b) (Status of the Notes and the Guarantee – Dated Subordinated Guaranteed Notes)* and in *Form of the Guarantee – Status of Guarantee – Clause 7(B) (Dated Subordinated Guaranteed Notes)*. Noteholders are advised that payments in respect of the Dated Subordinated Guaranteed Notes will be made by the Guarantor pursuant to the Guarantee only in accordance with the subordination provisions described therein.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note which will:

- (i) if the Global Notes (as defined under "*Terms and Conditions of the Notes*" below) are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to the Common Depository for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section "*Form of the Notes*" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer and the Agent, and specified in the applicable Final Terms.

On and after the date (the "Exchange Date") which is the later of (i) 40 days after the Temporary Global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as determined and notified by the Agent (the "Distribution Compliance Period"), interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series without receipts, interest coupons or talons or (ii) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless upon due certification, exchange of the Temporary Global Note for interests in the Permanent Global Note or for definitive Notes, as the case may be, is improperly withheld or refused. Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*" below) the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification. Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part,



for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (A) an Event of Default (as defined in Condition 13) has occurred and is continuing, (B) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (C) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 17 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (C) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the dates of receipt of the first relevant notice by the Agent. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all Notes which have an original maturity of 365 days or more and on all receipts and interest coupons relating to such Notes:

'ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.'

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the times being of Euroclear or Clearstream, Luxembourg, as the case may be.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 13. In such circumstances, where any Note is still represented by a Global Note (or any part thereof) and a holder of such Note so represented and credited to his securities account with Euroclear or Clearstream, Luxembourg gives notice that it wishes to accelerate such Note, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of such Global Note, such Global Note will become void at 8.00 pm (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, on and subject to the terms of a deed of covenant (the "Deed of Covenant") dated 18th September, 2008 executed by the Issuer.

## FORMS OF FINAL TERMS

The following is the form of Final Terms which will be completed in relation to each Tranche of Notes with a denomination of less than €50,000 (or its equivalent in another currency) (References to numbered Conditions are to the Terms and Conditions of the relevant Notes):

[Date]

**KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.**  
**(KBC IFIMA N.V.)**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Guaranteed by KBC Bank NV**

**under the €40,000,000,000**

**Euro Medium Term Note Programme**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 48 of Part A below, provided such person is one of the persons mentioned in Paragraph 48 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances]<sup>1</sup>.

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances]<sup>2</sup>.

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1 Consider including this legend where a non-exempt offer of Notes is anticipated.

2 Consider including this legend where only an exempt offer of Notes is anticipated.

## PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated 14th July, 2010 which constitutes a base prospectus for the purposes of 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 [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and the website of KBC at [www.kbc.com](http://www.kbc.com) and copies may be obtained during normal business hours at the registered office of the Issuer.

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated [current date] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. 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 Prospectuses dated [current date] and [original date]. Copies of such Base Prospectuses are available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and the website of KBC at [www.kbc.com](http://www.kbc.com) and copies may be obtained during normal business hours at the registered office of the Issuer.]

*Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. Prospective purchasers should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment related to the [currencies, shares, etc.] based upon such investigations and not in reliance upon any information given in this document.*

*[Consider including the following paragraph]*

*[No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.]*

*By investing in the Notes each investor represents that:*

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes.*

*No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.*

- (b) *Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.*
- (c) *Status of Parties. None of the Issuer, the Guarantor and any Dealer is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.]*

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. (i) Series Number: [ ]  
(ii) [Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]*
2. Status of Notes: [Senior Guaranteed Notes/Dated Subordinated Guaranteed Notes]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
(i) [Series:] [ ]  
(ii) [Tranche: [ ]]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (i) Specified Denominations: [ ]  
*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €1,000 minimum denomination is not required.)*  
(ii) Calculation Amount: [ ]

*(If only one Specified Denomination, insert the Specified Denomination.*

*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*

7. (i) [Issue Date:] [ ]
- (ii) [Interest Commencement Date (if different from the Issue Date): [ ]]
8. (i) Maturity Date: [specify date]/[Interest Payment Date falling in [or nearest to] [specify month and year]/[ ] Business Days after the [final] Valuation Date, expected to be [ ]] [(the "Scheduled Maturity Date"), subject as provided in Condition 10(e) [, and] [Condition 10(f)] [and] [Condition 10(g)] [and] [Condition 10(h)] *(include for Credit Linked Notes but include as applicable: see below)*]
- (ii) Business Day Convention for Maturity Date: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- [The Additional Business Centre(s) [is/are][ ]]
9. Interest Basis [ ] per cent. Fixed Rate]
- [specify reference rate] ± [ ] per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Equity Linked Interest]
- [Currency Linked Interest]
- [Inflation Linked Interest]
- [Commodity Linked Interest]
- [non-interest bearing]
- [specify other]
- (further particulars specified below)*
10. Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Equity Linked Redemption]

- [Credit Linked Redemption]  
 [Currency Linked Redemption]  
 [Inflation Linked Redemption]  
 [Commodity Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [*specify other*]
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. Tax Gross-Up: [Condition 11(a) applicable]/[Condition 11(b) applicable]  
 (*N.B. Only one of Condition 11(a) and 11(b) should be specified as applicable. If Condition 11(a) is specified as applicable, Condition 5(b) will be applicable. If Condition 11(b) is specified as applicable, Condition 5(b) will not be applicable*)
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. Fixed Rate Note Provisions [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[s] of Interest: [ ] per cent. per annum  
 [payable [annually/semi-annually/quarterly/monthly] in arrear] (*if payable other than annually, consider amending Condition 3*).
- (ii) Interest Period End Date(s): [ ] in each year, starting on [ ], up to and including the Maturity Date  
 (*NB: This will need to be amended in the case of long or short coupons*)

- (iii) Business Day Convention for Interest Period End Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (iv) Interest Payment Date(s): [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Additional Business Centre(s): [ ]
- (vii) Fixed Coupon Amount[s]: (Applicable to Notes in definitive form.) [ ] per Calculation Amount
- (viii) Broken Amount[s]: [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] (Applicable to Notes in definitive form.)
- (ix) Day Count Fraction: *[Specify one of the options listed below]*  
 [Actual/Actual (ICMA)  
 Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (x) Determination Date(s): [ ] in each year  
*[Insert regular Interest Period End Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*  
*(NB: This will need to be amended in the case of regular Interest Period End Dates which are not of equal duration) (NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA))*

Other terms relating to the method of calculating interest for Fixed Rate Notes: *[None/give details]*

16. Floating Rate Note Provisions *[Applicable/Not Applicable]*
- (i) Specified Period(s)/Specified Interest Period End Dates: *[ ]*
  - (ii) Business Day Convention for Interest Period End Dates: *[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]*
  - (iii) Interest Payment Dates: *[[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]*
  - (iv) Business Day Convention for Interest Payment Dates: *Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]*
  - (v) Additional Business Centre(s): *[ ]*
  - (vi) Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined: *[Screen Rate Determination/ISDA Determination/specify other (give details)]*
  - (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Guarantor): *[ ]*
  - (viii) Screen Rate Determination:
    - Reference Rate: *[ ] (Either LIBOR, EURIBOR or other, although additional information is required if other – including any amendment to the fall back provisions in the Agency Agreement)*
    - Interest Determination Date(s): *[ ]*  
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than euro LIBOR or Sterling LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
    - Relevant Screen Page: *[ ]*



*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*

- (ix) ISDA Determination:
    - Floating Rate Option: [ ]
    - Designated Maturity: [ ]
    - Reset Date: [ ]
  - (x) Margin(s): [ +/- ] [ ] per cent. per annum
  - (xi) Minimum Rate of Interest: [ ] per cent. per annum
  - (xii) Maximum Rate of Interest: [ ] per cent. per annum
  - (xiii) Day Count Fraction: *[Specify one of the options listed below]*
    - [Actual/Actual or Actual/Actual (ISDA)
    - Actual/365 (Fixed)
    - Actual/365 (Sterling)
    - Actual/360
    - 30/360 or 360/360 or Bond Basis
    - 30E/360 or Eurobond Basis
    - 30E/360 (ISDA)
    - 1/1
    - Other]

*(see Condition 3 for alternatives)*
  - (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]

- (iii) Any other formula/basis of determining amount payable: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 5(e)(iii) and 5(k) apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Day Count Fraction in relation to Early Redemption Amounts and late payment: Formula for calculating interest rate including provisions for determining Coupon where calculation by reference to Index/Indices is impossible or impracticable and other back up provisions: *[give or annex details]*
- (ii) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant sponsors: [Basket of Indices/Single Index]  
*[(Give or annex details)]*  
[The Index is a Designated Multi-Exchange Index.]  
*(N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed)*
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) and for making calculations pursuant to Condition 7: *[Give name and address]*
- (iv) Specified Period(s)/Specified Interest Period Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Interest Payment Dates: [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (viii) Additional Business Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum

- (xi) Day Count Fraction: *[Specify one of the options listed below]*  
 [Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (xii) Exchange(s): [ ]
- (xiii) Related Exchange(s): [ /All Exchanges]
- (xiv) Valuation Date(s): [ ]
- (xv) Valuation Time: [Condition 7(c) applies/other]
- (xvi) Strike Price: [ ]
- (xvii) Multiplier for each Index comprising the basket: *[Insert details/Not Applicable]*
- (xviii) Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Index Levels does not apply, delete the following sub paragraph)*
- (xix) Correction Cut-Off Date: [ ] Business Days prior to each Interest Payment Date.
- (xx) Trade Date: [ ]
- (xxi) Other terms or special conditions: [ ]
19. Equity Linked Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete remaining sub-paragraphs of this paragraph)*
- (i) Other terms or special conditions: Formula for calculating interest rate including back up provisions: *[Give or annex details]*

- (ii) 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/Single Underlying Equity]  
[Give or annex details]
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) and for making calculations pursuant to Condition 8: [Give name and address]
- (iv) Specified Period(s)/Specified Interest Period End Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Interest Payment Dates: [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (viii) Additional Business Day Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ]
- (x) Maximum Rate of Interest: [ ]
- (xi) Day Count Fraction: [Specify one of the options listed below]  
[Actual/Actual (ICMA)  
Actual/Actual or Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360 or 360/360 or Bond Basis  
30E/360 or Eurobond Basis  
30E/360 (ISDA)  
1/1

	Other]
	<i>(see Condition 3 for alternatives)</i>
(xii) Exchange(s):	[ ]
(xiii) Related Exchange(s):	[ /All Exchanges]
(xiv) Potential Adjustment Events:	[Applicable/Not Applicable]
(xv) De-listing, Merger Event, Nationalisation and Insolvency:	[Applicable/Not Applicable]
(xvi) Tender Offer:	[Applicable/Not Applicable]
(xvii) Valuation Date(s):	[ ]
(xviii) Valuation Time:	[Condition 8(e) applies/ <i>other</i> ]
(xix) Strike Price:	[ ]
(xx) Exchange Rate:	[Applicable/Not Applicable] <i>[Insert details]</i>
(xxi) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 8(b)):	<i>[Insert details/Not Applicable]</i>
(xxii) Correction of Share Prices:	Correction of Share Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  <i>(If Correction of Share Prices does not apply, delete the following sub paragraph)</i>
(xxiii) Correction Cut-Off Date:	[ ] Business Days prior to each Interest Payment Date.
(xxiv) Trade Date:	[ ]
(xxv) Other terms or special conditions:	[ ]
20. Commodity Linked Interest Note Provisions	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Relevant Commodity or Commodities:	[ ] [which is a Bullion Commodity]
(ii) Formula for calculating interest rate including back up provisions:	<i>[Give or annex details]</i>

- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): [Give name and address]
- (iv) Specified Period(s)/Specified Interest Period End Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Interest Payment Dates: [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (viii) Additional Business Day Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ]
- (x) Maximum Rate of Interest: [ ]
- (xi) Day Count Fraction: [*Specify one of the options listed below*  
 [Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (xii) Pricing Date(s): [ ]
- (xiii) Commodity Business Day Convention: [Following/ Modified Following/Nearest/Preceding]
- (xiv) Common Pricing: [Applicable/Not Applicable]

(N.B. Only applicable in relation to Notes linked to a basket of Commodities)

- (xv) Commodity Business Day: [Specify/The definition in Condition 6 applies]
- (xvi) Commodity Reference Price: [ ]
- (xvii) Specified Price: [high price][low price][average of high and low prices][closing price][opening price][bid price][asked price][average of bid and asked prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][other] *[insert time, if applicable]*
- (xviii) Delivery Date: [date][month and year][[First/Second/Third/other] Nearby Month][specify method]
- (xix) Unit: [ ]
- (xx) Price Source: [ ]
- (xxi) Exchange(s): The relevant Exchange[s] [is/are] [ ].
- (xxii) Market Disruption Event(s): [The following Market Disruption Events apply to the Notes:  
[Price Source Disruption]  
[Trading Disruption: *specify any additional futures/options contract commodity*]  
[Disappearance of Commodity Reference Price]  
[Material Change in Formula]  
[Material Change in Content]  
[Tax Disruption]]  
[Condition 6 applies]  
*(NB: if Condition 6 applies, the Market Disruption Events specified in that Condition will apply)*
- (xxiii) Disruption Fallback(s): [The following Disruption Fallbacks apply to the Notes (in the following order):  
[Fallback Reference Dealers: *specify alternate Commodity Reference Price*]  
[Fallback Reference Price]  
[Cancellation]  
[Postponement]

- [Calculation Agent Determination]  
 [Delayed Publication and Announcement]  
 [specify other]]  
 [Condition 6 applies]  
*(NB: if Condition 6 applies, the Disruption Fallbacks specified in that Condition will apply)*
- (xxiv) Reference Dealers: [Specify four dealers]
- (xxv) Maximum Days of Disruption: [ ]  
*(If no Maximum Days of Disruption are stated, Maximum Days of Disruption will be equal to five)*
- (xxvi) Strike Price: [ ]
- (xxvii) Correction of Commodity Prices: Correction of Commodity Prices [applies/does not apply and the Relevant Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Commodity Prices does not apply, delete the following sub paragraph)*
- (xxviii) Correction Cut-Off Date: [ ] Business Days prior to each Interest Payment Date.
- (xxix) Trade Date: [ ]
- (xxx) Other terms or special conditions: [ ]
21. Currency Linked Interest Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Relevant Currency: [ ]
- (ii) Formula for calculating interest rate including back up provisions: [Give or annex details]
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): [Give name and address]
- (iv) Specified Period(s)/Specified Interest Period End Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]



- (vi) Interest Payment Dates:  in each year, starting on , up to and including the Maturity Date/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates:  Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*/Not Applicable]
- (viii) Additional Business Day Centre(s):
- (ix) Minimum Rate of Interest:
- (x) Maximum Rate of Interest:
- (xi) Day Count Fraction: *[Specify one of the options listed below]*  
 Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (xii) Other terms or special conditions:
22. Inflation Linked Interest Note Provisions  Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Relevant inflation index or indices:
- (ii) Formula for calculating interest rate including back up provisions: *[Give or annex details]*
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): *[Give name and address]*

- (iv) Specified Period(s)/Specified Interest Period End Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Interest Payment Dates: [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (viii) Additional Business Day Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ]
- (x) Maximum Rate of Interest: [ ]
- (xi) Day Count Fraction: *[Specify one of the options listed below]*  
 [Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (xii) Other terms or special conditions: [ ]
23. Dual Currency Note Provisions [Applicable/Not Applicable]  
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*

- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [Give name and address]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provision]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]
24. Additional Disruption Events [Applicable/Not Applicable]
- (applicable to Index Linked Interest Notes and Equity Linked Interest Notes only):* [Additional Disruption Events are only applicable to certain types of Index Linked Interest Notes or Equity Linked Interest Notes]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Change in Law
- Hedging Disruption
- [Increased Cost of Hedging]
- [Increased Cost of Stock Borrow]
- [Insolvency Filing]
- (NB: Only applicable in the case of Equity Linked Interest Notes)*
- [Loss of Stock Borrow]
- [The Maximum Stock Loan Rate in respect of [specify in relation to each Underlying Equity/security] is [ ]].
- (NB: Only applicable if Loss of Stock Borrow is applicable)*
- [The Initial Stock Loan rate in respect of [specify in relation to each Underlying Equity/security] is [ ]].
- (NB: Only applicable if Increased Cost of Stock Borrow is applicable)*

#### **PROVISIONS RELATING TO REDEMPTION**

25. Issuer Call [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Business Day Convention for Optional Redemption Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]  
[The Additional Business Centre(s) [is/are][ ]]
- (iii) Optional Redemption Amount and method, if any, of calculation of such amount: [ ] per Calculation Amount
- (iv) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (v) Notice period (if other than as set out in the Conditions): [ ]
26. Investor Put [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Business Day Convention for Optional Redemption Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]  
[The Additional Business Centre(s) [is/are][ ]]
- (iii) Optional Redemption Amount and method, if any, of calculation of such amount: [ ] per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
27. Final Redemption Amount: [[ ] per Calculation Amount/ specify other/see Appendix]

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be Derivative Securities\* for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

28. Early Redemption Amount:

(Early Redemption Amount payable on redemption for taxation reasons or on event of default or on an illegality (or, in the case of Commodity Linked Notes, if the circumstances set out in Condition 6(c)(iii) have arisen or, in the case of Index Linked Notes, following an Index Adjustment Event in accordance with Condition 7(b)(ii)(b) or, in the case of Equity Linked Notes, following a De-listing and/or Merger Event and/or Nationalisation and/or Insolvency and/or Tender Offer in accordance with Condition 8(b)(ii)(b) or, in the case of Index Linked Notes or Equity Linked Notes, following an Additional Disruption Event (if applicable) or, in the case of Credit Linked Notes, following a Merger Event, and/or the method of calculating the same (**required if Early Redemption Amount different from that set out in Condition 5(e)**):

[  ] per Calculation Amount/specify other/see Appendix]

[(Consider including the wording below for Commodity Linked Notes, Index Linked Notes, Equity Linked Notes or Credit Linked Notes)]

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. 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 5(b) and Condition 5(h); and
- (ii) the references to “together with accrued interest thereon to the date of repayment” shall be deemed to be deleted from Condition 13.]

[“Condition 5(e) applies” should be inserted for all other types of Notes]

[N.B. This section does not apply to any Notes with an automatic redemption feature. Any automatic redemption feature should be set out in the relevant “Redemption Amount” paragraph of the applicable Final Terms or in an Annex thereto.]

29. Currency Linked Redemption Notes: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Relevant Currency: [  ]

(ii) Calculation Agent responsible for making calculations: [Give name and address]

(iii) Relevant provisions for determining amount of principal payable: [  ]

30. Inflation Linked Redemption Notes: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Relevant inflation index or indices: [ ]
  - (ii) Calculation Agent responsible for making calculations: [Give name and address]
  - (iii) Relevant provisions for determining amount of principal payable: [ ]
31. Index Linked Redemption Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant sponsors: [Basket of Indices/Single Index]  
[(Give or annex details)]  
[The Index is a Designated Multi-Exchange Index]  
*(N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed)*
  - (ii) Calculation Agent responsible for making calculations pursuant to Condition 7: [Give name and address]
  - (iii) Exchange(s): [ ]
  - (iv) Related Exchange(s): [ /All Exchanges]
  - (v) Redemption Amount: [if Not Applicable: [Express per Calculation Amount/Not Applicable]  
[Call Index Linked Redemption Notes/Put Index Linked Redemption Notes]]
  - (vi) Valuation Date: [ ]
  - (vii) Valuation Time: [Condition 7(c) applies/other]
  - (viii) Strike Price: [ ]
  - (ix) Multiplier for each Index comprising the basket: [Insert details/Not Applicable]
  - (x) Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].

*(If Correction of Index Levels does not apply, delete the following sub paragraph)*

- (xi) Correction Cut-Off Date: [ ] Business Days prior to the Maturity Date.
- (xii) Trade Date: [ ]
- (xiii) Other terms or special conditions: [ ]
32. Equity Linked Redemption Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (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/Single Underlying Equity] [(Give or annex details)]
- (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/Physical Delivery/Cash Settlement and/or Physical Delivery] *(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)*
- (iii) Calculation Agent responsible for making calculations pursuant to Condition 8: [Give name and address]
- (iv) Exchange: [ ]
- (v) Related Exchange(s): [ /All Exchanges]
- (vi) Potential Adjustment Events: [Applicable/Not Applicable]
- (vii) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]
- (viii) Tender Offer: [Applicable/Not Applicable]
- (ix) Redemption Amount: [If Not Applicable: [Express per Calculation Amount/Not Applicable] [Call Equity Linked Redemption Notes/Put Equity Linked Redemption Notes]]
- (x) Valuation Date: [ ]
- (xi) Valuation Time: [Condition 8(e) applies/other]
- (xii) Strike Price: [ ]



- (xiii) Exchange Rate: [Applicable/Not Applicable]  
[Insert details]
- (xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 8(b)): [Insert details/Not Applicable]
- (xv) Correction of Share Prices: Correction of Share Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Share Prices does not apply, delete the following sub paragraph)*
- (xvi) Correction Cut-Off Date: [ ] Business Days prior to the Maturity Date.
- (xvii) Trade Date: [ ]
- (xviii) Relevant Assets: [ ]
- (xix) Asset Amount: [Express per Calculation Amount]
- (xx) Cut-Off Date: [[ ] calendar days after the Valuation Date]/[other]  
**[N.B. in any event BEFORE the Maturity Date]**
- (xxi) Redemption Delivery provisions for Asset Amount (including details of who is to make such delivery): [ ] [The Delivery Agent is [ ]]
- (xxii) Failure to deliver due to Illiquidity: [Applicable/Not Applicable]  
*(NB: Only applicable to certain types of Equity Linked Redemption Notes).*
- (xxiii) Other terms or special conditions: [ ]
33. Additional Disruption Events (applicable to Index Linked Redemption Notes and Equity Linked Redemption Notes only): [Applicable/Not Applicable]  
*[Additional Disruption Events are only applicable to certain types of Index Linked Redemption Notes or Equity Linked Redemption Notes]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
Change in Law  
Hedging Disruption  
[Increased Cost of Hedging]  
[Increased Cost of Stock Borrow]  
[Insolvency Filing]

*(NB: Only applicable in the case of Equity Linked Redemption Notes)*

[Loss of Stock Borrow]

[The Maximum Stock Loan Rate in respect of *[specify in relation to each Underlying Equity/security]* is [ ] .

*(NB: Only applicable if Loss of Stock Borrow is applicable)*

[The Initial Stock Loan rate in respect of *[specify in relation to each Underlying Equity/security]* is [ ] .

*(NB: Only applicable if Increased Cost of Stock Borrow is applicable)*

34. Credit Linked Notes:

[Applicable/Not Applicable]

*[NB: Consider whether definitions included in Conditions are up to date]*

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

General

(i) Redemption Amount:

*[Express per Calculation Amount]*

(ii) Settlement Method:

[Auction Settlement/Cash Settlement/Physical Delivery]

[If Auction Settlement:

The provisions of Condition 10(b) shall apply]

[If Cash Settlement:

The provisions of Condition 10(c) shall apply]

[If Physical Delivery:

The Provisions of Condition 10(d) shall apply]

(iii) Trade Date:

[ ]

(iv) Scheduled Termination Date:

[The day falling [five] Business Days prior to the Scheduled Maturity Date/*specify other*]

(v) Calculation Agent responsible for making calculations and determinations pursuant to Condition 10:

*[Give name and address]*

(vi) Calculation Agent City:

[ ]

Credit Provisions

(vii) Reference Entity(ies):

[ ]

(viii) Reference Obligation(s):

[ ]

[The obligation[s] identified as follows:

- Primary Obligor: [ ]
- Guarantor: [ ]
- Maturity: [ ]
- Coupon: [ ]
- CUSIP/ISIN: [ ]
- (ix) All Guarantees: [Applicable/Not Applicable]
- Provisions relating to Qualifying Guarantee and Underlying Obligation: Condition 10(q) [Applicable/Not Applicable]
- (x) Credit Events: [Bankruptcy]
- [Failure to Pay]
- [Grace Period Extension (Condition 10(f)) [Applicable/Not Applicable]
- [If Applicable:
- Grace Period: [ ]
- [Obligation Acceleration]
- [Obligation Default]
- [Repudiation/Moratorium]
- [Maturity Date Extension: Condition 10(h): [Applicable/Not Applicable]]
- [Restructuring]
- Provisions relating to Restructuring Credit Event: Condition 10(n) [Applicable/Not Applicable]
  - Provisions relating to Multiple Holder Obligation: Condition 10(o) [Applicable/Not Applicable]
  - [Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]]
  - [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]]
- [other]
- Default Requirement: [ ]

Payment Requirement: [ ]

(xi) Conditions to Settlement: Notice of Publicly Available Information [Applicable/Not Applicable]  
 [If Applicable:  
 Public Source(s): [ ]  
*(If other than in the definition in Condition 10(j).)*  
 Specified Number: [ ]  
*(If none specified, then it is deemed to be two.)*

(xii) Obligation(s):

Obligation Category *[select one only]*: [Payment] [Borrowed Money]  
 [Reference Obligations Only]  
 [Bond]  
 [Loan]  
 [Bond or Loan]

Obligation Characteristics *[select all of which apply]*: [Not Subordinated]  
 [Specified Currency:  
*[specify currency]* [Standard Specified Currencies]  
 [Not Sovereign Lender]  
 [Not Domestic Currency:]  
 [Domestic Currency means: *[specify currency]*]  
 [Not Domestic Law]  
 [Listed]  
 [Not Domestic Issuance]

Additional Obligation(s): [ ]

(xiii) Provisions relating to Monoline Insurer to Reference Entity: Condition 10(p) [Applicable/Not Applicable]

(xiv) Excluded Obligation(s): [ ]

(xv) Accrual of Interest upon Credit Event: [Applicable/Not Applicable]

(xvi) Merger Event: Condition 10(l): [Applicable/Not Applicable]

If Applicable: Merger Event Redemption Date:	[ ]
(xvii) [Unwind Costs:	[Standard Unwind Costs/other/Not Applicable]
<i>Terms relating to Cash Settlement</i>	
(xviii) Credit Event Redemption Amount:	[Express per Calculation Amount]
(xix) Credit Event Redemption Date:	[ ] Business Days
(xx) Valuation Date:	[Single Valuation Date: [ ] Business Days] [Multiple Valuation Dates: [ ] Business Days; and each [ ] Business Days thereafter. Number of Valuation Dates: [ ]]
(xxi) Valuation Time:	[ ]
(xxii) Quotation Method:	[Bid/Offer/Mid-market]
(xxiii) Quotation Amount:	[[ ]/Representative Amount]
(xxiv) [Minimum Quotation Amount:	[ ]]
(xxv) Quotation Dealers:	[ ]
(xxvi) Quotations:	[Include Accrued Interest/Exclude Accrued Interest]
(xxvii) Valuation Method:	[Market/Highest] [Average Market/Highest/Average Highest] [Blended Market/Blended Highest] [Average Blended Market/Average Blended Highest]
(xxviii) Other terms or special conditions:	[ ] <i>Terms relating to Physical Delivery</i>
(xxix) Physical Settlement Period:	[ ] Business Days
(xxx) Asset Amount:	[Include Accrued Interest/Exclude Accrued Interest]
(xxxi) Settlement Currency:	[ ]
(xxxii) Deliverable Obligations:	
Deliverable Obligation Category [select one only]:	[Payment] [Borrowed Money]

Deliverable Obligation Characteristics *[select all of which apply]*:

[Reference Obligations Only]  
 [Bond]  
 [Loan]  
 [Bond or Loan]  
 [Not Subordinated] [Specified Currency: *[specify currency]*] [Standard Specified Currencies]  
 [Not Sovereign Lender]  
 [Not Domestic Currency]  
 [Domestic Currency means: *[specify currency]*]  
 [Not Domestic Law]  
 [Listed]  
 [Not Contingent]  
 [Not Domestic Issuance]  
 [Assignable Loan]  
 [Consent Required Loan]  
 [Direct Loan Participation]  
 [Qualifying Participation Seller: – *insert details*]  
 [Transferable]  
 [Maximum Maturity: [   ]]  
 [Accelerated or Matured]  
 [Not Bearer]

Additional Deliverable Obligation(s): [   ]

(xxxiii) Excluded Deliverable Obligation(s): [   ]

(xxxiv) Indicative Quotations: [Applicable/Not Applicable]

(xxxv) Cut-Off Date: [   ]

(xxxvi) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from Terms and Conditions: [   ]

(xxxvii) Other terms or special conditions: [   ]

*Additional terms relating to Auction Settlement:*

- (xxxviii) Fallback Settlement Method: [Cash Settlement/Physical Delivery]  
[If Physical Delivery:  
The provisions of Condition 10(i) shall apply]
- (xxxix) Additional Business Centre(s): [ ]
- (xxxx) Business Day Convention for purposes of Condition 10: [Following/Modified Following/Preceding]
- (xxxxi) Succession Event Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes/No]
- (xxxxii) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes/No]
35. Commodity Linked Redemption Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Relevant Commodity or Commodities: [ ] [which is a Bullion Commodity]
- (ii) Calculation Agent responsible for making calculations: [Give name and address]
- (iii) Relevant provisions for determining amount of principal payable: [ ]
- (iv) Redemption Amount: [Express per Calculation Amount/Not Applicable]
- (v) Pricing Date(s): [ ]
- (vi) Commodity Business Day Convention: [Following/ Modified Following/Nearest/Preceding]
- (vii) Common Pricing: [Applicable/Not Applicable]  
*(N.B. Only applicable in relation to Notes linked to a basket of Commodities)*
- (viii) Commodity Business Day: [Specify/The definition in Condition 6 applies]
- (ix) Commodity Reference Price: [ ]

- (x) Specified Price: [high price][low price][average of high and low prices][closing price][opening price][bid price][asked price][average of bid and asked prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][other] [insert time, if applicable]
- (xi) Delivery Date: [date][month and year][[First/Second/Third/other] Nearby Month][specify method]
- (xii) Unit: [ ]
- (xiii) Price Source: [ ]
- (xiv) Exchange(s): The relevant Exchange[s] [is/are] [ ].
- (xv) Market Disruption Event(s): [The following Market Disruption Events apply to the Notes:  
 [Price Source Disruption]  
 [Trading Disruption: specify any additional futures/options contract commodity]  
 [Disappearance of Commodity Reference Price]  
 [Material Change in Formula] [Material Change in Content] [Tax Disruption]] [Condition 6 applies]  
 (NB: if Condition 6 applies, the Market Disruption Events specified in that Condition will apply)
- (xvi) Disruption Fallback(s): [The following Disruption Fallbacks apply to the Notes (in the following order):  
 [Fallback Reference Dealers: specify alternate Commodity Reference Price]  
 [Fallback Reference Price]  
 [Cancellation]  
 [Postponement]  
 [Calculation Agent Determination]  
 [Delayed Publication and Announcement]  
 [specify other]]  
 [Condition 6 applies]  
 (NB: if Condition 6 applies, the Disruption Fallbacks specified in that Condition will apply)



- (xvii) Reference Dealers:  [Specify four dealers]
- (xviii) Maximum Days of Disruption:  [ ]  
*(If no Maximum Days of Disruption are stated, Maximum Days of Disruption will be equal to five)*
- (xix) Strike Price:  [ ]
- (xx) Correction of Commodity Prices:  Correction of Commodity Prices [applies/does not apply and the Relevant Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Commodity Prices does not apply, delete the following sub paragraph)*
- (xxi) Correction Cut-Off Date:  [ ] Business Days prior to the Maturity Date.
- (xxii) Trade Date:  [ ]
- (xxiii) Other terms and special conditions:  [ ]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

36. Form of Notes:

- (i) Form:  [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]]  
 [Temporary Global Note exchangeable for definitive Notes upon specified number of days notice]  
 Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14th December, 2005.
- (ii) New Global Note:  [Yes][No]

37. Additional Financial Centre(s) or other special provisions relating to Payment Days:  [Not Applicable/give details] *(Note that this item relates to the place of payment and not "Business Days" for the purposes of the Maturity Date, Interest Payment Dates, Interest Period End Dates and Optional Redemption Dates)*

38. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):  [Yes/No (If yes, give details)]

39. Details relating to Partly Paid Notes: [Not Applicable/give details]  
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: *(NB: a new form of Temporary Global Note and/or  
Permanent Global Note may be required for Partly Paid  
issues)*
40. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
41. If the Specified Currency is the  
currency of a member state of the  
European Union, whether a  
Redenomination Clause is to be  
included: [Redenomination [not] applicable]  
*(If Redenomination is applicable, specify the terms of the  
Redenomination in an Appendix to the Final Terms)*
42. Consolidation provisions: [Not Applicable/The provisions annexed to these Final  
Terms apply]
43. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should  
be given as to whether such terms constitute “significant  
new factors” and consequently trigger the need for a  
supplement to the Base Prospectus under Article 16 of  
the Prospectus Directive)*

## DISTRIBUTION

44. (i) If syndicated, names and  
addresses of Managers and  
underwriting commitments: [Not Applicable/give names and addresses and  
underwriting commitments]  
*(Include names and addresses of entities agreeing to  
underwrite the issue on a firm commitment basis and  
names and addresses of the entities agreeing to place the  
issue without a firm commitment or on a “best efforts”  
basis if such entities are not the same as the Managers.)*
- (ii) Date of Subscription  
Agreement: [ ]
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
45. If non-syndicated, name and  
address of relevant Dealer: [Not Applicable/give name and address]
46. Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount
47. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA  
not applicable]

48. Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify names [and addresses] of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. “other parties authorised by the Managers”) or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Managers, the “Financial Intermediaries”) other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)] (“Public Offer Jurisdictions”) during the period from [specify date] until [specify date or a formula such as “the Issue Date” or “the date which falls [ ] Business Days thereafter”] (“Offer Period”). See further Paragraph 12 of Part B below.
49. Additional selling restrictions: [Not Applicable/give details]

#### **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [specify relevant regulated market (for example the Bourse de Luxembourg)] of the Notes described herein pursuant to the €40,000,000,000 Euro Medium Term Note Programme of KBC Internationale Financieringsmaatschappij N.V. (KBC IFIMA N.V.).]

#### **RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[ ] (the “Reference Information”) has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By:  
Duly authorised

By:  
Duly authorised

## PART B – OTHER INFORMATION

- 1. LISTING AND ADMISSION TO TRADING:** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg)] with effect from [ ].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg)] with effect from [ ].] [Not Applicable.]
- 2. RATINGS:** The Notes to be issued have not been rated. The rating of the Guarantor is:  
  
[S & P: [ ]]  
  
[Moody's: [ ]]  
  
[Fitch: [ ]]  
  
[[Other]: [ ]]  
  
*[Need to include here a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*
- 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:**  
  
[Save for any fees payable to the [Dealers/Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]  
  
*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*
- 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:**
- (i) [Reasons for the offer: [ ]]  
  
*(See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*
- (ii) [Estimated net proceeds: [ ]]  
  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) [Estimated total expenses:  [Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”].]

*(N.B.: If the Notes are Derivative Securities\* to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks regardless of the minimum denomination of the securities and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

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

Indication of yield:

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

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

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

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

**7. PERFORMANCE OF [INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]:** *(Index-Linked Notes only)*

The details of past and future performance and volatility of the index/formula can be obtained on *[insert relevant Bloomberg page]*.

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include the name of [the/each] Index and a description if composed by the Issuer and if [the/each] Index is not composed by the Issuer need to include details of where the information about [the/each] Index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

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

The details of past and future performance and volatility of the equity/basket of equities can be obtained on *[insert relevant Bloomberg page]*.

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include the name of [the/each] issuer of the [equity/equities in the basket] and the ISIN or other identification code]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

**9. PERFORMANCE OF [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES/ INFLATION INDEX OR INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES/INFLATION INDEX OR INDICES]]** *(Currency Linked Notes, Inflation Linked Notes and Notes linked to any other underlying only)*

The details of past and future performance and volatility of the relevant rates/formula/currencies/inflation index or indices can be obtained on *[insert relevant Bloomberg page]*.

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

**10. 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)*

The details of past and future performance and volatility of the relevant commodity/basket of commodities can be obtained on *[insert relevant Bloomberg page]*.

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include [the/each] commodity identification code (if any)]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

**11. 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)*

The details of past and future performance and volatility of the Reference Entity can be obtained on *[insert relevant Bloomberg page]*.

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

**12. [TERMS AND CONDITIONS OF THE OFFER:]** *(Delete in the case of an exempt offer)*

Offer Price:	[Issue Price][specify]
[Conditions to which the offer is subject:]	[Not applicable/give details]
[Description of the application process:]	[Not applicable/give details]
[Details of the minimum and/or maximum amount of application:]	[Not applicable/give details]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]	: [Not applicable/give details]
[Details of the method and time limits for paying up and delivering the Notes:]	[Not applicable/give details]
[Manner in and date on which results of the offer are to be made public:]	[Not applicable/give details]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not applicable/give details]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:]	[Not applicable/give details]

[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]

[Not applicable/give details]

[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]

[Not applicable/give details]

[Name(s) and addresses, to the extent known to the Issuer, of the placers in the various countries where the offer takes place:]

[Not applicable/give details]

### 13. OPERATIONAL INFORMATION:

(i) ISIN Code:

[ ]

(ii) Common Code:

[ ]

(iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any):

[ ]

*(Insert here any other relevant codes such as CUSIP and CINS codes)*

(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

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\* “Derivative Securities” are Notes (i) where the Final Redemption Amount of such Notes is other than 100 per cent. of the nominal value of the Notes and (ii) to which the requirements of Annex XII to the Prospectus Directive Regulation will apply.



The following is the form of Final Terms which will be completed in relation to each Tranche of Notes with a denomination of €50,000 or more (or its equivalent in another currency) (References to numbered Conditions are to the Terms and Conditions of the relevant Notes):

*[Date]*

**KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.  
(KBC IFIMA N.V.)**

**Issue of *[Aggregate Nominal Amount of Tranche]* *[Title of Notes]***

**Guaranteed by KBC Bank NV  
under the €40,000,000,000**

**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 (the "Conditions") set forth in the Base Prospectus dated 14th July, 2010 which constitutes a base prospectus for the purposes of 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 [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and the website of KBC at [www.kbc.com](http://www.kbc.com) and copies may be obtained during normal business hours at the registered office of the Issuer.

*[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated *[original date]*. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated *[current date]* which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated *[original date]* and are attached hereto. 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 Prospectuses dated *[current date]* and *[original date]*. Copies of such Base Prospectuses are available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and the website of KBC at [www.kbc.com](http://www.kbc.com) and copies may be obtained during normal business hours at the registered office of the Issuer.]

*Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. Prospective purchasers should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment related to the [currencies, shares, etc.] based upon such investigations and not in reliance upon any information given in this document.*

*[Consider including the following paragraph]*

*[No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.]*

*By investing in the Notes each investor represents that:*

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.*
- (b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.*
- (c) Status of Parties. None of the Issuer, the Guarantor and any Dealer is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.]*

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- 1. (i) Series Number: [ ]  
(ii) [Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]*
- 2. Status of Notes: [Senior Guaranteed Notes/Dated Subordinated Guaranteed Notes]
- 3. Specified Currency or Currencies: [ ]
- 4. Aggregate Nominal Amount:
  - (i) [Series:] [ ]
  - (ii) [Tranche: [ ]]

5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (i) Specified Denominations: [ ]  
*(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:*  
*“€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. No Notes in definitive form will be issued with a denomination above €99,000.”)*  
*(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.)*
- (ii) Calculation Amount: [ ]  
*(If only one Specified Denomination, insert the Specified Denomination.*  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) [Issue Date:] [ ]  
(ii) [Interest Commencement Date (if different from the Issue Date): [ ]]
8. (i) Maturity Date: [specify date]/[Interest Payment Date falling in [or nearest to] [specify month and year]/[ ] Business Days after the [final] Valuation Date, expected to be [ ] [(the “Scheduled Maturity Date”), subject as provided in Condition 10(e) [, and] [Condition 10(f)] [and] [Condition 10(g)] [and] [(Condition 10(h)] (include for Credit Linked Notes but include as applicable: see below)]
- (ii) Business Day Convention for Maturity Date: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]  
[The Additional Business Centre(s) [is/are][ ]]

9. Interest Basis
- [ [ ] per cent. Fixed Rate]
- [[specify reference rate] ± [ ] per cent. Floating Rate]*
- [Zero Coupon]
- [Index Linked Interest]
- [Equity Linked Interest]
- [Currency Linked Interest]
- [Inflation Linked Interest]
- [Commodity Linked Interest]
- [non-interest bearing]
- [specify other]*
- (further particulars specified below)*
10. Redemption/Payment Basis:
- [Redemption at par]
- [Index Linked Redemption]
- [Equity Linked Redemption]
- [Credit Linked Redemption]
- [Currency Linked Redemption]
- [Inflation Linked Redemption]
- [Commodity Linked Redemption]
- [Dual Currency]
- [Partly Paid]
- [Instalment]
- [specify other]*
11. Change of Interest Basis or Redemption/Payment Basis:
- [Specify details of any provision for convertibility of Notes into another Interest Basis or Redemption/Payment Basis]*
12. Put/Call Options:
- [Investor Put]
- [Issuer Call]
- [(further particulars specified below)]*
13. Tax Gross-Up:
- [Condition 11(a) applicable]/[Condition 11(b) applicable]

*(N.B. Only one of Condition 11(a) and 11(b) should be specified as applicable. If Condition 11(a) is specified as applicable, Condition 5(b) will be applicable. If Condition 11(b) is specified as applicable, Condition 5(b) will not be applicable)*

14. Method of distribution: [Syndicated/Non-syndicated]

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

15. Fixed Rate Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Rate[s] of Interest: [ ] per cent. per annum

[payable [annually/semi-annually/quarterly/monthly] in arrear] *(if payable other than annually, consider amending Condition 3).*

(ii) Interest Period End Date(s): [ ] in each year, starting on [ ], up to and including the Maturity Date

*(NB: This will need to be amended in the case of long or short coupons)*

(iii) Business Day Convention for Interest Period End Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*/Not Applicable]

(iv) Interest Payment Date(s): [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]

(v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*/Not Applicable]

(vi) Additional Business Centre(s): [ ]

(vii) Fixed Coupon Amount[s]: [ ] per Calculation Amount  
*(Applicable to Notes in definitive form.)*

(viii) Broken Amount[s]: [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form.)*

- (ix) Day Count Fraction: *[Specify one of the options listed below]*  
 [Actual/Actual (ICMA)  
 Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (x) Determination Date(s):  in each year  
*[Insert regular Interest Period End Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*  
*(NB: This will need to be amended in the case of regular Interest Period End Dates which are not of equal duration) (NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA))*
- (xi) Other terms relating to the method of calculating interest for Fixed Rate Notes: *[None/give details]*
16. Floating Rate Note Provisions  [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Period End Dates:
- (ii) Business Day Convention for Interest Period End Dates:  [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*/Not Applicable]
- (iii) Interest Payment Dates:   in each year, starting on  , up to and including the Maturity Date][Interest Payment Dates will correspond to Interest Period End Dates]
- (iv) Business Day Convention for Interest Payment Dates:  [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*/Not Applicable]

- (v) Additional Business Centre(s):
- (vi) Manner in which the Rate(s) of Interest and Interest Amount(s) is/are to be determined:  [Screen Rate Determination/ISDA Determination/ *specify other (give details)*]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Guarantor):
- (viii) Screen Rate Determination:
- Reference Rate:  (*Either LIBOR, EURIBOR or other, although additional information is required if other – including any amendment to the fall back provisions in the Agency Agreement*)
  - Interest Determination Date(s):    
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than euro LIBOR or Sterling LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page:    
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*
- (ix) ISDA Determination:
- Floating Rate Option:
  - Designated Maturity:
  - Reset Date:
- (x) Margin(s):  [+/-]  per cent. per annum
- (xi) Minimum Rate of Interest:  per cent. per annum
- (xii) Maximum Rate of Interest:  per cent. per annum
- (xiii) Day Count Fraction:  *[Specify one of the options listed below]*  
 [Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)

- Actual/360
- 30/360 or 360/360 or Bond Basis
- 30E/360 or Eurobond Basis
- 30E/360 (ISDA)
- 1/1
- Other]
- (see Condition 3 for alternatives)*
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 5(e)(iii) and 5(k) apply/specify other] (Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Formula for calculating interest rate including provisions for determining Coupon where calculation by reference to Index/Indices is impossible or impracticable and other back up provisions: [give or annex details]
- (ii) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant sponsors: [Basket of Indices/Single Index] [(Give or annex details)] [The Index is a Designated Multi-Exchange Index.]



*(N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed)*

- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) and for making calculations pursuant to Condition 7: [Give name and address]
- (iv) Specified Period(s)/Specified Interest Period End Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Interest Payment Dates: [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vi) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: *[Specify one of the options listed below]*  
[Actual/Actual or Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360 or 360/360 or Bond Basis  
30E/360 or Eurobond Basis  
30E/360 (ISDA)  
1/1  
Other]  
*(see Condition 3 for alternatives)*
- (xi) Exchange(s): [ ]

(xii) Related Exchange(s):	[ /All Exchanges]
(xiii) Valuation Date(s):	[ ]
(xiv) Valuation Time:	[Condition 7(c) applies/other]
(xv) Strike Price:	[ ]
(xvi) Multiplier for each Index comprising the basket:	[Insert details/Not Applicable]
(xvii) Correction of Index Levels:	Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  <i>(If Correction of Index Levels does not apply, delete the following sub paragraph)</i>
(xviii) Correction Cut-Off Date:	[ ] Business Days prior to each Interest Payment Date.
(xix) Trade Date	[ ]
(xxi) Other terms or special conditions:	[ ]
19. Equity Linked Interest Note Provisions	[Applicable/Not Applicable]  <i>(If not applicable, delete remaining sub-paragraphs of this paragraph)</i>
(i) Formula for calculating interest rate including back up provisions:	[Give or annex details]
(ii) 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/Single Underlying Equity] [Give or annex details]
(iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) and for making calculations pursuant to Condition 8:	[Give name and address]
(iv) Specified Period(s)/Specified Interest Period End Dates:	[ ]
(v) Business Day Convention for Interest Period End Dates:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other/Not Applicable]

- (vi) Interest Payment Dates: [[ ] in each year starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (viii) Additional Business Day Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ]
- (x) Maximum Rate of Interest: [ ]
- (xi) Day Count Fraction: [*Specify one of the options listed below*]  
 [Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
 (*see Condition 3 for alternatives*)
- (xii) Exchange(s): [ ]
- (xiii) Related Exchange(s): [ /All Exchanges]
- (xiv) Potential Adjustment Events: [Applicable/Not Applicable]
- (xv) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]
- (xvi) Tender Offer: [Applicable/Not Applicable]
- (xvii) Valuation Date(s): [ ]
- (xviii) Valuation Time: [Condition 8(e) applies/*other*]
- (xix) Strike Price: [ ]
- (xx) Exchange Rate: [Applicable/Not Applicable]  
 [*Insert details*]

(xxi) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 8(b)):	[Insert details/Not Applicable]
(xxii) Correction of Share Prices:	Correction of Share Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  <i>(If Correction of Share Prices does not apply, delete the following sub paragraph)</i>
(xxiii) Correction Cut-Off Date:	<input type="checkbox"/> Business Days prior to each Interest Payment Date.
(xxiv) Trade Date:	<input type="checkbox"/>
(xxv) Other terms or special conditions:	<input type="checkbox"/>
20. Commodity Linked Interest Note Provisions	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Relevant Commodity or Commodities:	<input type="checkbox"/> [which is a Bullion Commodity]
(ii) Formula for calculating interest rate including back up provisions:	[Give or annex details]
(iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) :	<input type="checkbox"/>
(iv) Specified Period(s)/Specified Interest Period End Dates:	<input type="checkbox"/>
(v) Business Day Convention for Interest Period End Dates:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
(vi) Interest Payment Dates:	[[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
(vii) Business Day Convention for Interest Payment Dates:	[Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
(viii) Additional Business Day Centre(s):	<input type="checkbox"/>
(ix) Minimum Rate of Interest:	<input type="checkbox"/>

- (x) Maximum Rate of Interest: [ ]
- (xi) Day Count Fraction: *[Specify one of the options listed below]*  
 [Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)  
 1/1  
 Other]  
*(see Condition 3 for alternatives)*
- (xii) Pricing Date(s): [ ]
- (xiii) Commodity Business Day Convention: [Following/ Modified Following/Nearest/Preceding]
- (xiv) Common Pricing: [Applicable/Not Applicable]  
*(N.B. Only applicable in relation to Notes linked to a basket of Commodities)*
- (xv) Commodity Business Day: [Specify/The definition in Condition 6 applies]
- (xvi) Commodity Reference Price: [ ]
- (xvii) Specified Price: [high price][low price][average of high and low prices][closing price][opening price][bid price][asked price][average of bid and asked prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][other] *[insert time, if applicable]*
- (xviii) Delivery Date: [date][month and year][[First/Second/Third/other] Nearby Month][specify method]
- (xix) Unit: [ ]
- (xx) Price Source: [ ]
- (xxi) Exchange(s): The relevant Exchange[s] [is/are] [ ] .
- (xxii) Market Disruption Event(s): [The following Market Disruption Events apply to the Notes:  
 [Price Source Disruption]

- [Trading Disruption: *specify any additional futures/options contract commodity*]
- [Disappearance of Commodity Reference Price]
- [Material Change in Formula]
- [Material Change in Content]
- [Tax Disruption]]
- [Condition 6 applies]
- (NB: if Condition 6 applies, the Market Disruption Events specified in that Condition will apply)*
- (xxiii) Disruption Fallback(s): [The following Disruption Fallbacks apply to the Notes (in the following order):
- [Fallback Reference Dealers: *specify alternate Commodity Reference Price*] [Fallback Reference Price]
- [Cancellation]
- [Postponement]
- [Calculation Agent Determination]
- [Delayed Publication and Announcement]
- [specify other]]
- [Condition 6 applies]
- (NB: if Condition 6 applies, the Disruption Fallbacks specified in that Condition will apply)*
- (xxiv) Reference Dealers: [*Specify four dealers*]
- (xxv) Maximum Days of Disruption: [ ]
- (If no Maximum Days of Disruption are stated, Maximum Days of Disruption will be equal to five)*
- (xxvi) Strike Price: [ ]
- (xxvii) Correction of Commodity Prices: Correction of Commodity Prices [applies/does not apply and the Relevant Price shall be calculated without regard to any subsequently published correction].
- (If Correction of Commodity Prices does not apply, delete the following sub paragraph)*

- (xxviii) Correction Cut-Off Date:  Business Days prior to each Interest Payment Date.
- (xxix) Trade Date:
- (xxx) Other terms or special conditions:
21. Currency Linked Interest Note Provisions  Applicable/Not Applicable  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Relevant Currency:
- (ii) Formula for calculating interest rate including back up provisions: *[Give or annex details]*
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): *[Give name and address]*
- (iv) Specified Period(s)/Specified Interest Period End Dates:
- (v) Business Day Convention for Interest Period End Dates:  Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*/Not Applicable]
- (vi) Interest Payment Dates:  in each year, starting on , up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates:  Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*/Not Applicable]
- (viii) Additional Business Day Centre(s):
- (ix) Minimum Rate of Interest:
- (x) Maximum Rate of Interest:
- (xi) Day Count Fraction: *[Specify one of the options listed below]*  
 Actual/Actual or Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 30/360 or 360/360 or Bond Basis  
 30E/360 or Eurobond Basis

- 30E/360 (ISDA)
- 1/1
- Other]
- (see Condition 3 for alternatives)*
- (xii) Other terms or special conditions: [ ]
22. Inflation Linked Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Relevant inflation index or indices: [ ]
- (ii) Formula for calculating interest rate including back up provisions: [Give or annex details]
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): [Give name and address]
- (iv) Specified Period(s)/Specified Interest Period End Dates: [ ]
- (v) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (vi) Interest Payment Dates: [[ ] in each year, starting on [ ], up to and including the Maturity Date]/[Interest Payment Dates will correspond to Interest Period End Dates]
- (vii) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (viii) Additional Business Day Centre(s): [ ]
- (ix) Minimum Rate of Interest: [ ]
- (x) Maximum Rate of Interest: [ ]
- (xi) Day Count Fraction: *[Specify one of the options listed below]*
- [Actual/Actual or Actual/Actual (ISDA)
- Actual/365 (Fixed)
- Actual/365 (Sterling)
- Actual/360
- 30/360 or 360/360 or Bond Basis



- 30E/360 or Eurobond Basis  
30E/360 (ISDA)  
1/1  
Other]  
*(see Condition 3 for alternatives)*
- (xii) Other terms or special conditions: [ ]
23. Dual Currency Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [Give name and address]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [Need to include a description of market disruption or settlement disruption events and adjustment provision]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]
24. Additional Disruption Events (applicable to Index Linked Interest Notes and Equity Linked Interest Notes only): [Applicable/Not Applicable]  
*[Additional Disruption Events are only applicable to certain types of Index Linked Interest Notes or Equity Linked Interest Notes]*  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*  
Change in Law  
Hedging Disruption  
[Increased Cost of Hedging]  
[Increased Cost of Stock Borrow]  
[Insolvency Filing]  
*(NB: Only applicable in the case of Equity Linked Interest Notes)*  
[Loss of Stock Borrow]

[The Maximum Stock Loan Rate in respect of [specify in relation to each Underlying Equity/security] is [ ]].

(NB: Only applicable if Loss of Stock Borrow is applicable)

[The Initial Stock Loan rate in respect of [specify in relation to each Underlying Equity/security] is [ ]].

(NB: Only applicable if Increased Cost of Stock Borrow is applicable)

## PROVISIONS RELATING TO REDEMPTION

### 25. Issuer Call

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): [ ]
- (ii) Business Day Convention for Optional Redemption Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]
- (iii) Optional Redemption Amount and method, if any, of calculation of such amount: [The Additional Business Centre(s) [is/are][ ] [ ] per Calculation Amount]
- (iv) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (v) Notice period (if other than as set out in the Conditions): [ ]

### 26. Investor Put

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): [ ]
- (ii) Business Day Convention for Optional Redemption Dates: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/specify other/Not Applicable]  
  
[The Additional Business Centre(s) [is/are][ ]]

- (iii) Optional Redemption Amount and method, if any, of calculation of such amount:  per Calculation Amount
- (iv) Notice period (if other than as set out in the Conditions) :

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

27. Final Redemption Amount:

per Calculation Amount/ specify other/see Appendix]

***(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be Derivative Securities\* for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)***

28. Early Redemption Amount:

Early Redemption Amount payable on redemption for taxation reasons or on event of default or on an illegality (or, in the case of Commodity Linked Notes, if the circumstances set out in Condition 6(c)(iii) have arisen or, in the case of Index Linked Notes, following an Index Adjustment Event in accordance with Condition 7(b)(ii)(b) or, in the case of Equity Linked Notes, following a De-listing and/or Merger Event and/or Nationalisation and/or Insolvency and/or Tender Offer in accordance with Condition 8(b)(ii)(b) or, in the case of Index Linked Notes or Equity Linked Notes, following an Additional Disruption Event (if applicable) or, in the case of Credit Linked Notes, following a Merger Event, and/or the method of calculating the same (***required if Early Redemption Amount different from that set out in Condition 5(e)***):

per Calculation Amount/specify other/see Appendix]

*[(Consider including the wording below for Commodity Linked Notes, Index Linked Notes, Equity Linked Notes or Credit Linked Notes)]*

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. 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 5(b) and Condition 5(h); and
- (ii) the references to “together with accrued interest thereon to the date of repayment” shall be deemed to be deleted from Condition 13.]

- ["Condition 5(e) applies" should be inserted for all other types of Notes]
- [N.B. This section does not apply to any Notes with an automatic redemption feature. Any automatic redemption feature should be set out in the relevant "Redemption Amount" paragraph of the applicable Final Terms or in an Annex thereto.]*
29. Currency Linked Redemption Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Relevant Currency: [ ]
- (ii) Calculation Agent responsible for making calculations: [Give name and address]
- (iii) Relevant provisions for determining amount of principal payable: [ ]
30. Inflation Linked Redemption Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Relevant inflation index or indices: [ ]
- (ii) Calculation Agent responsible for making calculations: [Give name and address]
- (iii) Relevant provisions for determining amount of principal payable: [ ]
31. Index Linked Redemption Notes: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant sponsors: [Basket of Indices/Single Index]  
 [(Give or annex details)]  
 [The Index is a Designated Multi-Exchange Index]
- (N.B. Designated Multi-Exchange Index only applies in relation to the Euro Stoxx Index unless otherwise specifically agreed)*
- (ii) Calculation Agent responsible for making calculations pursuant to Condition 7: [Give name and address]

- (iii) Exchange(s): [ ]
- (iv) Related Exchange(s): [ /All Exchanges]
- (v) Redemption Amount: [if Not Applicable]: [Express per Calculation Amount/Not Applicable]  
[Call Index Linked Redemption Notes/Put Index Linked Redemption Notes]
- (vi) Valuation Date: [ ]
- (vii) Valuation Time: [Condition 7(c) applies/other]
- (viii) Strike Price: [ ]
- (ix) Multiplier for each Index comprising the basket: [Insert details/Not Applicable]
- (x) Correction of Index Levels: Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Index Levels does not apply, delete the following sub paragraph)*
- (xi) Correction Cut-Off Date: [ ] Business Days prior to the Maturity Date.
- (xii) Trade Date [ ]
- (xiii) Other terms or special conditions: [ ]
32. Equity Linked Redemption Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (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/Single Underlying Equity] [(Give or annex details)]
- (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/Physical Delivery/Cash Settlement and/or Physical Delivery]  
*(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)*
- (iii) Calculation Agent responsible for making calculations pursuant to Condition 8 : [Give name and address]
- (iv) Exchange: [ ]

- (v) Related Exchange(s): [ /All Exchanges]
- (vi) Potential Adjustment Events: [Applicable/Not Applicable]
- (vii) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]
- (viii) Tender Offer: [Applicable/Not Applicable]
- (ix) Redemption Amount: [If Not Applicable: [Express per Calculation Amount/Not Applicable]  
[Call Equity Linked Redemption Notes/Put Equity Linked Redemption Notes]]
- (x) Valuation Date: [ ]
- (xi) Valuation Time: [Condition 8(e) applies/other]
- (xii) Strike Price: [ ]
- (xiii) Exchange Rate: [Applicable/Not Applicable] [*Insert details*]
- (xiv) Multiplier for each Underlying Equity comprising the basket (which is subject to adjustment as set out in Condition 8(b)): [*Insert details*/Not Applicable]
- (xv) Correction of Share Prices: Correction of Share Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Share Prices does not apply, delete the following sub paragraph)*
- (xvi) Correction Cut-Off Date: [ ] Business Days prior to the Maturity Date.
- (xvii) Trade Date: [ ]
- (xviii) Relevant Assets: [ ]
- (xix) Asset Amount: [*Express per Calculation Amount*]
- (xx) Cut-Off Date: [[ ] calendar days after the Valuation Date/other]]  
**[N.B. in any event BEFORE the Maturity Date]**
- (xxi) Delivery provisions for Asset Amount (including details of who is to make such delivery): [ ] [The Delivery Agent is [ ] ]
- (xxii) Failure to deliver due to Illiquidity: [Applicable/Not Applicable]  
*(NB: Only applicable to certain types of Equity Linked Redemption Notes).*
- (xxiii) Other terms or special conditions: [ ]

33. Additional Disruption Events  
(applicable to Index Linked  
Redemption Notes and Equity Linked  
Redemption Notes only):

[Applicable/Not Applicable]

*[Additional Disruption Events are only applicable  
to certain types of Index Linked Redemption Notes  
or Equity Linked Redemption Notes]*

*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*

Change in Law

Hedging Disruption

[Increased Cost of Hedging]

[Increased Cost of Stock Borrow]

[Insolvency Filing]

*(NB: Only applicable in the case of Equity Linked  
Redemption Notes)*

[Loss of Stock Borrow]

[The Maximum Stock Loan Rate in respect of  
[specify in relation to each Underlying  
Equity/security] is [ ].

*(NB: Only applicable if Loss of Stock Borrow is  
applicable)*

[The Initial Stock Loan rate in respect of [specify in  
relation to each Underlying Equity/security] is [ ].

*(NB: Only applicable if Increased Cost of Stock  
Borrow is applicable)*

34. Credit Linked Notes:

[Applicable/Not Applicable]

*[NB: Consider whether definitions  
included in Conditions are up to date]*

*(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)*

General

(i) Redemption Amount:

*[Express per Calculation Amount]*

(ii) Settlement Method:

[Auction Settlement/Cash Settlement/Physical  
Delivery]

[If Auction Settlement:

The provisions of Condition 10(b) shall apply]

[If Cash Settlement:

The provisions of Condition 10(c) shall apply]

[If Physical Delivery:

- The Provisions of Condition 10(d) shall apply]
- (iii) Trade Date: [ ]
- (iv) Scheduled Termination Date: [The day falling [five] Business Days prior to the Scheduled Maturity Date/*specify other*]
- (v) Calculation Agent responsible for making calculations and determinations pursuant to Condition 10: [*Give name and address*]
- (vi) Calculation Agent City: [ ]
- Credit Provisions
- (vii) Reference Entity(ies): [ ]
- (viii) Reference Obligation(s): [ ]
- [The obligation[s] identified as follows:
- Primary Obligor: [ ]
- Guarantor: [ ]
- Maturity: [ ]
- Coupon: [ ]
- CUSIP/ISIN: [ ]]
- (ix) All Guarantees: [Applicable/Not Applicable]
- Provisions relating to Qualifying Guarantee and Underlying Obligation: Condition 10(q) [Applicable/Not Applicable]
- (x) Credit Events: [Bankruptcy]
- [Failure to Pay]
- [Grace Period Extension (Condition 10(f)) [Applicable/Not Applicable]
- [If Applicable:
- Grace Period: [ ]]
- [Obligation Acceleration]
- [Obligation Default]
- [Repudiation/Moratorium]
- [Maturity Date Extension: Condition 10(h): [Applicable/Not Applicable]]
- [Restructuring]



- Provisions relating to Restructuring Credit Event: Condition 10(n) [Applicable/Not Applicable]
- Provisions relating to Multiple Holder Obligation: Condition 10(o) [Applicable/Not Applicable]
- [Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]]
- [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]]

[other]

Default Requirement: [ ]

Payment Requirement: [ ]

(xi) Conditions to Settlement: Notice of Publicly Available Information [Applicable/Not Applicable]

[If Applicable:

Public Source(s): [ ]]

*(If other than in the definition in Condition 10(j).)*

Specified Number: [ ]]

*(If none specified, then it is deemed to be two.)*

(xii) Obligation(s):

Obligation Category *[select one only]*: [Payment] [Borrowed Money]

[Reference Obligations Only]

[Bond]

[Loan]

[Bond or Loan]

Obligation Characteristics [Not Subordinated]

*[select all of which apply]*: [Specified Currency:

*[specify currency]* [Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency:]

[Domestic Currency means: *[specify currency]*]

	[Not Domestic Law]
	[Listed]
	[Not Domestic Issuance]
Additional Obligation(s):	[ ]
(xiii) Provisions relating to Monoline Insurer to Reference Entity:	Condition 10(p) [Applicable/Not Applicable]
(xiv) Excluded Obligation(s):	[ ]
(xv) Accrual of Interest upon Credit Event:	[Applicable/Not Applicable]
(xvi) Merger Event: Condition 10(l):	[Applicable/Not Applicable]
If Applicable: Merger Event Redemption Date:	[ ]
(xvii) Unwind Costs:	[Standard Unwind Costs/other/Not Applicable]
<i>Terms relating to Cash Settlement</i>	
(xviii) Credit Event Redemption Amount:	[Express per Calculation Amount]
(xix) Credit Event Redemption Date:	[ ] Business Days
(xx) Valuation Date:	[Single Valuation Date: [ ] Business Days [Multiple Valuation Dates: [ ] Business Days; and each [ ] Business Days thereafter. Number of Valuation Dates: [ ]]
(xxi) Valuation Time:	[ ]
(xxii) Quotation Method:	[Bid/Offer/Mid-market]
(xxiii) Quotation Amount:	[[ ]/Representative Amount]
(xxiv) Minimum Quotation Amount:	[ ]
(xxv) Quotation Dealers:	[ ]
(xxvi) Quotation:	[Include Accrued Interest/Exclude Accrued Interest]
(xxvii) Valuation Method:	[Market/Highest] [Average Market/Highest/Average Highest] [Blended Market/Blended Highest]

	[Average Blended Market/Average Blended Highest]
(xxviii) other terms or special condition:	[ ]
<i>Terms relating to Physical Delivery</i>	
(xxix) Physical Settlement Period	[ ] Business Days
(xxx) Asset Amount:	[Include Accrued Interest/Exclude Accrued Interest]
(xxxii) Settlement Currency:	[ ]
(xxxii) Deliverable Obligations :	
Deliverable Obligation Category	[Payment]
<i>[select one only]:</i>	[Borrowed Money]
	[Reference Obligations Only]
	[Bond]
	[Loan]
	[Bond or Loan]
Deliverable Obligation Characteristics	[Not Subordinated] [Specified Currency:
<i>[select all of which apply]:</i>	<i>[specify currency]</i> [Standard Specified Currencies]
	[Not Sovereign Lender]
	[Not Domestic Currency]
	[Domestic Currency means: <i>[specify currency]</i> ]
	[Not Domestic Law]
	[Listed]
	[Not Contingent]
	[Not Domestic Issuance]
	[Assignable Loan]
	[Consent Required Loan]
	[Direct Loan Participation]
	[Qualifying Participation Seller: – <i>insert details</i> ]
	[Transferable]
	[Maximum Maturity: [ ]]
	[Accelerated or Matured]
	[Not Bearer]

- Additional Deliverable Obligation(s):
- (xxxiii) Excluded Deliverable Obligation(s):
- (xxxiv) Indicative Quotations: [Applicable/Not Applicable]
- (xxxv) Cut-Off Date:
- (xxxvi) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from Terms and Conditions:
- (xxxvii) Other terms or special conditions:
- Additional terms relating to Auction Settlement:*
- (xxxviii) Fallback Settlement Method: [Cash Settlement/Physical Delivery]  
[If Physical Delivery:  
The provisions of Condition 10(i) shall apply]
- (xxxix) Additional Business Centre(s):
- (xxxx) Business Day Convention for purposes of Condition 10: [Following/Modified Following/Preceding]
- (xxxxi) Succession Event Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes/No]
- (xxxxii) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes/No]
35. Commodity Linked Redemption Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Relevant Commodity or Commodities:  [which is a Bullion Commodity]
- (ii) Calculation Agent responsible for making calculations: [Give name and address]
- (iii) Relevant provisions for determining amount of principal payable:
- (iv) Redemption Amount: [Express per Calculation Amount/Not Applicable]

- (v) Pricing Date(s): [ ]
- (vi) Commodity Business Day Convention: [Following/ Modified Following/Nearest/ Preceding]
- (vii) Common Pricing: [Applicable/Not Applicable]  
*(N.B. Only applicable in relation to Notes linked to a basket of Commodities)*
- (viii) Commodity Business Day: [Specify/The definition in Condition 6 applies]
- (ix) Commodity Reference Price: [ ]
- (x) Specified Price: [high price][low price][average of high and low prices][closing price][opening price][bid price][asked price][average of bid and asked prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][other] [insert time, if applicable]
- (xi) Delivery Date: [date][month and year][[First/Second/Third/other] Nearby Month][specify method]
- (xii) Unit: [ ]
- (xiii) Price Source: [ ]
- (xiv) Exchange(s): The relevant Exchange[s] [is/are] [ ].
- (xv) Market Disruption Event(s): [The following Market Disruption Events apply to the Notes:  
 [Price Source Disruption]  
 [Trading Disruption: *specify any additional futures/options contract commodity*]  
 [Disappearance of Commodity Reference Price]  
 [Material Change in Formula]  
 [Material Change in Content]  
 [Tax Disruption]]  
 [Condition 6 applies]  
*(NB: if Condition 6 applies, the Market Disruption Events specified in that Condition will apply)*
- (xvi) Disruption Fallback(s): [The following Disruption Fallbacks apply to the Notes (in the following order):  
 [Fallback Reference Dealers: *specify alternate Commodity Reference Price*]  
 [Fallback Reference Price]

- [Cancellation]
- [Postponement]
- [Calculation Agent Determination]
- [Delayed Publication and Announcement]
- [specify other]] [Condition 6 applies]
- (NB: if Condition 6 applies, the Disruption Fallbacks specified in that Condition will apply)*
- (xvii) Reference Dealers: [Specify four dealers]
- (xviii) Maximum Days of Disruption: [ ]
- (If no Maximum Days of Disruption are stated, Maximum Days of Disruption will be equal to five)*
- (xix) Strike Price: [ ]
- (xx) Correction of Commodity Prices: Correction of Commodity Prices [applies/does not apply and the Relevant Price shall be calculated without regard to any subsequently published correction].
- (If Correction of Commodity Prices does not apply, delete the following sub paragraph)*
- (xxi) Correction Cut-Off Date: [ ] Business Days prior to the Maturity Date.
- (xxii) Trade Date: [ ]
- (xxiii) Other terms and special conditions: [ ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 36. Form of Notes:

- (i) Form: [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]]
- [Temporary Global Note exchangeable for definitive Notes upon specified number of days notice]
- Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14th December, 2005.
- (ii) New Global Note: [Yes][No]

37. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details] (*Note that this item relates to the place of payment and not “Business Days” for the purposes of the Maturity Date, Interest Payment Dates, Interest Period End Dates and Optional Redemption Dates*)
38. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No (*If yes, give details*)]
39. 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/give details]  
*(NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)*
40. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
41. If the Specified Currency is the currency of a member state of the European Union, whether a Redenomination Clause is to be included: [Redenomination [not] applicable]  
*(If Redenomination is applicable, specify the terms of the Redenomination in an Appendix to the Final Terms)*
42. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
43. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive)*

## **DISTRIBUTION**

44. (i) If syndicated, names of Managers: [Not Applicable/give names]  
*(If the Notes are Derivative Securities, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the managers.)*

- (ii) Date of Subscription Agreement: [ ]  
*(The above is only relevant if the Notes are Derivative Securities).*
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
45. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
46. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]
47. Additional selling restrictions: [Not Applicable/give details]

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and admission to trading on *[specify relevant regulated market (for example the Bourse de Luxembourg)]*] of the Notes described herein pursuant to the €40,000,000,000 Euro Medium Term Note Programme of KBC Internationale Financieringsmaatschappij N.V. (KBC IFIMA N.V.).]

**RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[ ] (the "Reference Information") has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING:

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg)] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg)] with effect from [●].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS:

The Notes to be issued have not been rated. The rating of the Guarantor is:

[S & P: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

*[Need to include here a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

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

[Save for any fees payable to the [Dealers/Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – Amend as appropriate if there are other interests]

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

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

- (i) [Reasons for the offer: [●]]

*(See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

- (ii) [Estimated net proceeds: [●]]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds*

*insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) [Estimated total expenses:

**[●]** *[Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.]*

*(N.B.: Delete unless are Derivative Securities\* to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks regardless of the minimum denomination of the securities and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

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

Indication of yield:

**[●]**

*[Calculated as [include details of method of calculation in summary form] on the Issue Date.]*

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

**6. PERFORMANCE OF [INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]:** *(Index-Linked Notes only)*

*The details of past and future performance and volatility of the index/formula can be obtained on [insert relevant Bloomberg page].*

*[Need to include the name of [the/each] Index and a description if composed by the Issuer and if [the/each] Index is not composed by the Issuer need to include details of where the information about [the/each] Index can be obtained.]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

**7. PERFORMANCE OF [THE EQUITY/BASKET OF EQUITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE EQUITY/BASKET OF EQUITIES]]:** *(Equity Linked Notes only)*

*The details of past and future performance and volatility of the equity/basket of equities can be obtained on [insert relevant Bloomberg page].*

*[Need to include the name of [the/each] issuer of the [equity/equities in the basket] and the ISIN or other identification code]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

- 8. PERFORMANCE OF [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES/ INFLATION INDEX OR INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES/ INFLATION INDEX OR INDICES]]** *(Currency Linked Note, Inflation Linked Notes or Notes linked to any other underlying only)*

The details of past and future performance and volatility of the relevant rates/formula/currencies/inflation index or indices can be obtained on *[insert relevant Bloomberg page]*.

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

- 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)*

The details of past and future performance and volatility of the relevant commodity/basket of commodities can be obtained on *[insert relevant Bloomberg page]*.

*[Need to include [the/each] commodity identification code (if any)]*

*[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

- 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)*

The details of past and future performance and volatility of the Reference Entity can be obtained on *[insert relevant Bloomberg page]*.

*[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

- 11. OPERATIONAL INFORMATION:**

(i) ISIN Code: [●]

- (ii) Common Code:
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any):   
(Insert here any other relevant codes such as CUSIP and CINS codes)
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]  
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

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\* ***“Derivative Securities” are Notes (i) where the Final Redemption Amount of such Notes is other than 100 per cent. of the nominal value of the Notes and (ii) to which the requirements of Annex XII to the Prospectus Directive Regulation will apply.***

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but if not so permitted and agreed, such definitive Note will have endorsed upon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note and definitive Note. Reference should be made to "Form of Final Terms" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions and/or will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by KBC International Financieringsmaatschappij N.V. (the "Issuer") pursuant to the Agency Agreement (as defined below).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean (i) in relation to any Notes represented by a Global Note, (a "Global Note") units of each Specified Denomination in the Specified Currency (ii) any definitive Notes issued in exchange for a Global Note and (iii) any Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (the "Agreement") dated 14th July, 2010 as modified and/or supplemented and/or restated from time to time, and made among the Issuer, KBC Bank NV (the "Guarantor") as guarantor, KBL European Private Bankers S.A. as issuing and principal paying agent (the "Agent", which expression shall include any successor agent specified in the applicable Final Terms), and the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms and are attached hereto or endorsed hereon and supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "applicable Final Terms" are to the Final Terms (or the relevant provisions thereof) attached hereto or endorsed hereon.

The payment and, where applicable, delivery of all amounts in respect of this Note has been guaranteed by the Guarantor pursuant to a deed of guarantee dated 18th September, 2008 (the "Guarantee") executed by the Guarantor. The original of the Guarantee is held by the Agent on behalf of the Noteholders, the Couponholders and the Receiptholders at its specified office.

The applicable Final Terms will state whether this Note is issued on (i) an unsubordinated basis by the Issuer and guaranteed on an unsubordinated basis (such guarantee the “Senior Guarantee”) by the Guarantor as described in Condition 2(a) (a “Senior Guaranteed Note”) or (ii) a subordinated basis by the Issuer with a Maturity Date set out in the applicable Final Terms and guaranteed on a subordinated basis (such guarantee, the “Dated Subordinated Guarantee”) by the Guarantor as described in Condition 2(b) (a “Dated Subordinated Guaranteed Note”).

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean the holders of the Notes, and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons, and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant executed by the Issuer (the “Deed of Covenant”) dated 18th September, 2008. The original of the Deed of Covenant is held by a common depository on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the Guarantee and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at, and copies may be obtained from, the specified office of each of the Paying Agents, save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its holding of such Notes and identity. Copies of the applicable Final Terms relating to Notes which are admitted to trading on a regulated market in the European Economic Area and/or offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive are also available for viewing on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu). The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Equity Linked Interest Note, an Index Linked Interest Note, a Commodity Linked Interest Note, a Currency Linked Interest Note, an Inflation Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. This Note may be an Index Linked Redemption Note, an Equity Linked Redemption Note, a Credit Linked Note, a Commodity Linked Redemption Note, a Currency Linked Redemption Note, an Inflation Linked Redemption Note, a Dual Currency Note, a Partly Paid Note or an Instalment Note or a combination of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms. Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor and, the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof, whether or not overdue and notwithstanding any notice of ownership or writing thereon at notice of any previous loss or theft thereof, for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream, Banking *société anonyme* ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg), who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

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

## **2. Status of the Notes and the Guarantee**

### *(a) Senior Guaranteed Notes*

- (i) If the Notes are specified in the applicable Final Terms as being Senior Guaranteed Notes, the Notes and the relative Receipts and Coupons constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer and *pari passu* without any preference among themselves except for obligations given priority by law.
- (ii) The Notes are guaranteed as to payment of principal and interest by the Guarantor upon the terms contained in the Guarantee (such terms being referred to herein as the "Senior Guarantee").

- (iii) Claims in respect of the Senior Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Guarantor (including those arising under deposits received in its banking business), without any preference among themselves and *pari passu* without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

(b) *Dated Subordinated Guaranteed Notes*

- (i) If the Notes are specified in the applicable Final Terms as being Dated Subordinated Guaranteed Notes, the Notes and the relative Receipts and Coupons constitute direct, unconditional and unsecured obligations of the Issuer and shall, in the event of dissolution or liquidation (including, without limiting the generality of the foregoing, bankruptcy (“*faillissement*”) and moratorium (“*surséance van betaling*”) under the laws of The Netherlands) of the Issuer, be subordinated in right of payment to the claims of unsecured creditors of the Issuer (other than creditors in respect of indebtedness which is subordinated to at least the same extent as the Notes).
- (ii) The Notes are guaranteed as to payment of principal and interest by the Guarantor upon the terms contained in the Guarantee (such terms being referred to herein as the “Dated Subordinated Guarantee”).
- (iii) Claims in respect of the Dated Subordinated Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and shall, in the event of dissolution or liquidation (meaning any event creating a “*samenloop van schuldeisers/concours de créanciers*” including, without limiting the generality of the foregoing, bankruptcy (“*faillissement/faillite*”), moratorium (“*gerechtelijk akkoord/concordat judiciaire*”) and judicial or voluntary liquidation (“*liquidation volontaire ou forcée/vrijwillige of gedwongen vereffening*”), under the laws of Belgium) of the Guarantor, be subordinated in right of payment to the claims of depositors and other unsecured creditors of the Guarantor (other than creditors in respect of indebtedness which is subordinated to at least the same extent as the obligations of the Guarantor in respect of the Dated Subordinated Guaranteed Notes).

### 3. Interest

If the Notes are specified in the applicable Final Terms as Commodity Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 6. If the Notes are specified in the applicable Final Terms as Index Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 7. If the Notes are specified in the applicable Final Terms as Equity Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 8. If the Notes are specified in the applicable Final Terms as Credit Linked Notes, then the provisions of this Condition 3 are subject to Condition 10.

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will accrue in respect of each Interest Period (as defined in Condition 3(f)) and will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.



If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount, is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

For the purposes of these Terms and Conditions:

“Fixed Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

- (i) if “Actual/Actual” (ICMA) is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Period End Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

- (ii) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Period End Date falling in a leap year, 366;
- (v) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vii) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (viii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30;

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30; and

- (ix) if “1/1” is specified in the applicable Final Terms, 1.

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

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

(b) *Interest on Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes*

(i) Interest Period End Dates and Interest Payment Dates

Each Floating Rate Note, Index Linked Interest Note, Equity Linked Interest Note, Commodity Linked Interest Note, Currency Linked Interest Note and Inflation Linked Interest Note bears interest from (and including) the Interest Commencement Date. Interest will accrue in respect of each Interest Period (as defined in Condition 3(f)) and will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Guarantor under an interest rate swap transaction if the Guarantor were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which:

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

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Guarantor will be deemed to have discharged its obligations under Condition 3(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Guarantor.

If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Guarantor for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and calculation of Interest Amounts

The Guarantor, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes will, at or as soon as practicable after each time at which the Rate of Interest is to be determined,

determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes, the Guarantor, and in the case of Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes, the Calculation Agent will notify the Issuer, the Guarantor and the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Guarantor, in the case of Floating Rate Notes, or the Calculation Agent, in the case of Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes, will calculate the amount of interest (the "Interest Amount") payable on the Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes or Inflation Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes or Inflation Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note, a Commodity Linked Interest Note, a Currency Linked Interest Note or an Inflation Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In the case of Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes, the Calculation Agent will notify the Agent of the Interest Amount payable on the Notes in respect of each Calculation Amount for the relevant Interest Period as soon as practicable after calculating the same.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 3(b):

- (i) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Period End Date falling in a leap year, 366;
- (iv) If "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless (x) that day is the last day of February or (y) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (x) that day is the last day of February but not the Maturity Date or (y) such number would be 31, in which case D2 will be 30; and

- (viii) if “1/1” is specified in the applicable Final Terms, 1.

- (v) Notification of Rate of Interest and Interest Amounts

The Guarantor or the Calculation Agent, as the case may be, will promptly notify the Agent of each Interest Amount and the Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the other Paying Agents and any stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes or Inflation Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 17 as soon as possible after their determination but in no event later than the fourth Luxembourg Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest



Notes, Currency Linked Interest Notes or Inflation Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 17. For the purposes of this paragraph, the expression "Luxembourg Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in Luxembourg.

(vi) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(b), whether by the Guarantor or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Guarantor or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

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

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless either, upon due presentation thereof (if applicable), payment of principal is improperly withheld or refused and/or delivery of any asset deliverable in respect of such Note is improperly not made. In such event, interest will continue to accrue until whichever is the earlier of: (1) the date on which all amounts due in respect of such Note have been paid and/or delivery of all assets deliverable in respect of such Note have been delivered; and (2) five days after the date on which the full amount of the moneys payable has been received by the Agent and/or all assets in respect of such Note have been received by any agent appointed by the Issuer to deliver such assets to Noteholders and notice to that effect has been given to the Noteholders in accordance with Condition 17,

Provided That if the Notes become redeemable pursuant to Condition 10(b), Condition 10(c) or Condition 10(d); and

- (A) "Accrual of Interest upon Credit Event" is specified as Not Applicable in the applicable Final Terms, each Note shall cease to bear interest from the Interest Period End Date immediately preceding the Credit Event Determination Date (as defined in Condition 10(m)) or, if the Credit Event Determination Date is an Interest Period End Date such

Interest Period End Date or, if the Credit Event Determination Date, falls prior to the first Interest Period End Date, no interest shall accrue on the Notes; or

- (B) “Accrual of Interest upon Credit Event” is specified as being Applicable in the applicable Final Terms, each Note shall cease to bear interest from the Credit Event Determination Date; and

Provided Further That, if

- (A) Condition 10(e), Condition 10(f) or Condition 10(g) applies in respect of the Notes and, in the case of Condition 10(e), a Repudiation/ Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Condition 10(f), a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Condition 10(g), a Credit Event has not occurred prior to the DC Cut-off Date, as the case may be; and/or
- (B) Condition 10(h) applies in respect of the Notes and the Maturity Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, is postponed as provided therein,

then interest will accrue as provided in Condition 10(e), Condition 10(f), Condition 10(g) or Condition 10(h), as the case may be.

(f) *General definitions applicable to interest-bearing Notes*

For the purposes of these Terms and Conditions:

“Interest Payment Date” means the Interest Payment Date(s) in each year specified in the applicable Final Terms;

“Interest Period” means the period from (and including) an Interest Period End Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Period End Date; and

“Interest Period End Date” means:

- (i) in the case of Fixed Rate Notes, the Interest Period End Date(s) in each year specified in the applicable Final Terms; and
- (ii) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes either:
  - (A) the Specified Interest Period End Date(s) in each year specified in the applicable Final Terms; or
  - (B) if no Specified Interest Period End Date(s) is/are specified in the applicable Final Terms, each date which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Period End Date or, in the case of the first Interest Period End Date, after the Interest Commencement Date.

(g) *Business Day Conventions and Business Days*

If a Business Day Convention is specified in the applicable Final Terms in relation to any date and (x) if there is no numerically corresponding day in the calendar month in which such date

should occur or (y) if such date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Commodity Linked Interest Notes, Currency Linked Interest Notes and Inflation Linked Interest Notes only, in any case where Specified Periods are specified in accordance with the definition of Interest Period End Date above, the Floating Rate Convention, the relevant Interest Period End Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which event (A) such Interest Period End Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Period End Date shall be the last Business Day in the month which falls within the Specified Period after the preceding applicable Interest Period End Date occurred;
- (2) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day;
- (3) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "Business Day" means a day which is both:

- (A) a day 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 each Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively), or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

#### **4. Payments**

##### *(a) Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the

Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Wellington, respectively); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11(a).

Any references in these Terms and Conditions to payment of any sums in respect of the Notes shall be deemed to include, as applicable, delivery of assets if so provided in the applicable Final Terms and references to paid and payable shall be construed accordingly. The method of delivery of any assets and the liability for the costs and charges arising from such delivery will be as specified in the applicable Final Terms.

*(b) Presentation of definitive Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Credit Linked Notes, Currency Linked Notes, Inflation Linked Notes, Index Linked Notes, Equity Linked Notes, Commodity Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 11(a)) in respect of such principal (whether or not such Coupon would

otherwise have become void under Condition 12) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Credit Linked Note, Currency Linked Note, Inflation Linked Note, Index Linked Note, Equity Linked Note, Commodity Linked Note or Long Maturity Note in definitive form becomes due and repayable prior to its Maturity Date, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount at issue is less than the aggregate interest payable thereon (provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of the relevant definitive Note).

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

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream Luxembourg, as applicable.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

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

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place (unless otherwise specified in the applicable Final Terms) and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 12) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation (if presentation is required); and
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(f) *Interpretation of Principal and Interest*

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

- (i) any additional amounts which may be payable with respect to principal under Condition 11(a);
- (ii) the Final Redemption Amount;
- (iii) the Early Redemption Amount;
- (iv) the Optional Redemption Amount(s) (if any);
- (v) in relation to Credit Linked Notes, the Credit Event Redemption Amount (if any);

- (vi) in relation to Equity Linked Redemption Notes, the Failure to Deliver Settlement Price (if any);
- (vii) in relation to Equity Linked Redemption Notes, the Disruption Cash Settlement Price (if any);
- (viii) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (ix) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5 (e)); and
- (x) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11(a).

## **5. Redemption and Purchase**

### *(a) Redemption at Maturity*

Except in the case of Commodity Linked Redemption Notes, Index Linked Redemption Notes, Equity Linked Redemption Notes or Credit Linked Notes, in which case the provisions of Condition 6, Condition 7, Condition 8 or Condition 10, as applicable, will apply, unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date. Provisions relating to the redemption of Currency Linked Redemption Notes and Inflation Linked Redemption Notes will be set out in the applicable Final Terms.

### *(b) Redemption for Tax Reasons*

If Condition 11(a) is specified as applicable in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note, a Currency Linked Interest Note, a Commodity Linked Interest Note or an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note, a Currency Linked Interest Note, a Commodity Linked Interest Note or an Inflation Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 17, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11(a) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in either case as a result of any change in, or amendment to, the laws or regulations of The Netherlands or Belgium or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

If Condition 11(b) is specified as applicable in the applicable Final Terms, this Condition 5(b) shall not apply to the Notes.

(c) *Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, giving the Issuer an option to redeem, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 17; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 17 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 17 at least 5 days prior to the Selection Date.



(d) *Redemption at the Option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 17 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 13.

(e) *Early Redemption Amounts*

For the purpose of these Terms and Conditions, unless otherwise specified in the applicable Final Terms the Early Redemption Amount in respect of any Note shall be calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the Reference Price:

"AY" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for

redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms; or

- (iv) in the case of an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note, a Credit Linked Note, a Currency Linked Interest Note, a Currency Linked Redemption Note, a Commodity Linked Interest Note, a Commodity Linked Redemption Note, an Inflation Linked Interest Note or an Inflation Linked Redemption Note, the Early Redemption Amount in respect of each nominal amount of such Notes equal to the Calculation Amount will be determined by reference to the provisions in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Illegality*

In the event that the Calculation Agent determines that the performance of the Issuer's obligations under the Notes or that any arrangements made to hedge the Issuer's obligations under the Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer having given not less than 10 nor more than 30 days' notice to Noteholders in accordance with Condition 17 (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(i) *Purchases*

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to the Agent for cancellation.

(j) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(k) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 13 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 17.

**6. Commodity Linked Notes**

If the Notes are specified as Commodity Linked Interest Notes and/or Commodity Linked Redemption Notes in the applicable Final Terms then the provisions of this Condition 6 apply, as applicable, as modified by the applicable Final Terms.

(a) *Redemption of Commodity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of the Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer at its Redemption Amount (as defined below) on the Maturity Date.

(b) *Market Disruption*

(i) Definition

“Market Disruption Event” means an event that, if applicable to the Notes, would give rise, in accordance with an applicable Disruption Fallback, to an alternative basis for determining the Relevant Price in respect of a specified Commodity Reference Price or the cancellation of the Notes were the event to occur or exist on a day that is a Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the relevant Price Source).

Each of “Price Source Disruption”, “Trading Disruption”, “Disappearance of Commodity Reference Price”, “Material Change in Formula”, “Material Change in Content” and “Tax Disruption” as specified in the applicable Final Terms or as deemed to be specified pursuant to Condition 6(b)(ii) shall be a Market Disruption Event.

(ii) Deemed Market Disruption Events

If no Market Disruption Events are specified in the applicable Final Terms, the following Market Disruption Events will be deemed to have been specified:

- (A) in respect of a Commodity other than a Commodity which is specified in the applicable Final Terms to be a Bullion Commodity: (I) “Price Source Disruption”,

(II) "Trading Disruption", (III) "Disappearance of Commodity Reference Price", (IV) "Material Change in Formula" and (V) "Material Change in Content"; and

(B) in respect of a Commodity which is specified in the applicable Final Terms to be a Bullion Commodity: (x) "Price Source Disruption", (y) "Trading Disruption" and (z) "Disappearance of Commodity Reference Price".

(iii) Consequences of a Market Disruption Event

If the Calculation Agent determines that a Market Disruption Event applicable to the Notes has occurred or exists on a day that is a Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course of business, be published or announced by the relevant Price Source), the Relevant Price for that Pricing Date will be determined in accordance with the first applicable Disruption Fallback (applied in accordance with its terms) that provides the Relevant Price or, if there is no such Relevant Price, the first applicable Disruption Fallback that provides for the cancellation of the Notes.

The Calculation Agent shall, as soon as practicable, notify the Issuer and the Agent if it has determined that a Market Disruption Event has occurred and the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 17 giving details of the action proposed to be taken in relation thereto.

(c) *Disruption Fallbacks*

(i) Definition

"Disruption Fallback" means the source or method that, if applicable to the Notes, may give rise to an alternative basis for determining the Relevant Price in respect of a specified Commodity Reference Price or the cancellation of the Notes when a Market Disruption Event occurs or exists on a day that is a Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the relevant Price Source).

Each of "Fallback Reference Dealers", "Fallback Reference Price", "Cancellation", "Postponement", "Calculation Agent Determination" and "Delayed Publication and Announcement" or such other events as may be specified in the applicable Final Terms or as deemed to be specified pursuant to Condition 6(c)(ii) below, shall be a Disruption Fallback.

(ii) Deemed Disruption Fallbacks

If no Disruption Fallbacks are specified in the applicable Final Terms, the following Disruption Fallbacks will be deemed to have been specified (in the following order): (A) "Fallback Reference Price" (if an alternate Commodity Reference Price is specified in the applicable Final Terms), (B) "Delayed Publication and Announcement" and "Postponement" (each to operate concurrently with the other and each subject to two Commodity Business Days as the applicable Maximum Days of Disruption PROVIDED THAT the price determined by "Postponement" shall be the Relevant Price only if "Delayed Publication and Announcement" does not yield a Relevant Price within the Maximum Days of Disruption), (C) "Calculation Agent Determination" and (D) "Cancellation".

(iii) Cancellation

If a Market Disruption Event occurs or exists on a day that would otherwise be a Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the relevant Price Source) and (A) "Cancellation" is specified in the applicable Final Terms or is deemed to have been specified in accordance with Condition 6(C)(ii) above and (B) none of the other applicable Disruption Fallbacks (if any) provides the parties with a Relevant Price, on giving notice to Noteholders in accordance with Condition 17 (which notice will be irrevocable), the Issuer will redeem all but not some only of the Notes, each Note being redeemed at the Early Redemption Amount. Payment will be made in such manner and subject to such conditions as shall be notified to the Noteholders in accordance with Condition 17 and upon such payment in respect of such Note, the Issuer's obligations in respect thereof shall be discharged.

(d) *Correction of Commodity Prices*

If Correction of Commodity Prices is specified in the applicable Final Terms, with the exception of any corrections published after the Correction Cut-Off Date specified in the applicable Final Terms, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine a Relevant Price is subsequently corrected and the correction (the "Corrected Commodity Price") is published or announced by the person responsible for that publication or announcement within 30 calendar days of the original publication or announcement, (A) the Issuer shall give notice as soon as practicable of that correction to the Noteholders in accordance with Condition 17 and (B) the Calculation Agent shall use such Corrected Commodity Price in determining the relevant Interest Amount and/or Redemption Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant Interest Amount and/or Redemption Amount.

(e) *Definitions*

For the purposes of this Condition 6:

"Bullion Commodity" means any Commodity specified as a Bullion Commodity in the applicable Final Terms.

"Calculation Agent Determination" means that the Calculation Agent will determine the Relevant Price (or method for determining a Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

"Cancellation" means that the Notes will be redeemed early in accordance with the provisions of Condition 6(c)(iii) above.

"Commodity" means the commodity (or commodities) specified in applicable Final Terms.

"Commodity Business Day" means:

- (a) in respect of a Commodity (other than a Commodity which is specified in the applicable Final Terms to be a Bullion Commodity):

- (i) where the Commodity Reference Price for such Commodity is a price announced or published by an Exchange, any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which that Exchange is open for trading during its regular trading session, notwithstanding that Exchange closing prior to its scheduled closing time; and
  - (ii) where the Commodity Reference Price for such Commodity is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Market Disruption Event, would have published) a price; and
- (b) in respect of a Commodity which is specified in the applicable Final Terms to be a Bullion Commodity, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and New York City or as otherwise specified in the applicable Final Terms.

“Commodity Business Day Convention” means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Commodity Business Day. The following terms, when used in conjunction with the term “Commodity Business Day Convention” and a date, will mean that an adjustment will be made if that date would otherwise fall on a day that is not a Commodity Business Day so that:

- (a) if “Following” is specified, that date will be the first following day that is a Commodity Business Day;
- (b) if “Modified Following” or “Modified” is specified, that date will be the first following day that is a Commodity Business Day, unless that day falls in the next calendar month, in which case, that date will be the first preceding day that is a Commodity Business Day;
- (c) if “Nearest” is specified, that date will be the first preceding day that is a Commodity Business Day if the relevant date otherwise falls on a day other than a Sunday or a Monday and will be the first following day that is a Commodity Business Day if the relevant date otherwise falls on a Sunday or a Monday; and
- (d) if “Preceding” is specified, that date will be the first preceding day that is a Commodity Business Day.

“Commodity-Reference Dealers” means, in respect of a Commodity, that the price for a Pricing Date will be determined on the basis of quotations provided by Reference Dealers on that Pricing Date of that day’s Specified Price for a Unit of such Commodity for delivery on the Delivery Date, if applicable. If four quotations are provided as requested, the price for that Pricing Date will be the arithmetic mean of the Specified Prices for such Commodity provided by each Reference Dealer, without regard to the Specified Prices having the highest and lowest values. If exactly three quotations are provided as requested, the price for that Pricing Date will be the Specified Price provided by the relevant Reference Dealer that remains after disregarding the Specified Prices having the highest and lowest values. For this purpose, if more than one quotation has the same highest or lowest value, then the Specified Price of one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the price for the Pricing Date cannot be determined.

“Commodity Reference Price” means, in respect of any Commodity and for the purposes of determining a Relevant Price, the relevant commodity reference price for such Commodity specified in the applicable Final Terms.

“Common Pricing” means, with respect to Notes linked to two or more Commodities and Commodity Reference Prices:

- (a) if “Common Pricing” is specified as “Applicable” in the applicable Final Terms, then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Pricing Date) are scheduled to be published or announced, as determined on the Trade Date of the Notes as of the Issue Date; or
- (b) if “Common Pricing” is specified as “Not Applicable” in the applicable Final Terms, then if the Calculation Agent determines that a Market Disruption Event has occurred or exists on a Pricing Date in respect of any Commodity (each an “Affected Commodity”), the Relevant Price of each Commodity which is not affected by the occurrence of a Market Disruption Event shall be determined on the relevant scheduled Pricing Date and the Relevant Price for each Affected Commodity shall be determined in accordance with the first applicable Disruption Fallback that provides a Relevant Price.

“Delayed Publication and Announcement” means that the Relevant Price for a Pricing Date will be determined based on the Specified Price in respect of the original day scheduled as such Pricing Date that is published or announced by the relevant Price Source retrospectively on the first succeeding Commodity Business Day on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist (measured from and including the original day that would otherwise have been the Pricing Date) or the Relevant Price continues to be unavailable for consecutive Commodity Business Days equal in number to the Maximum Days of Disruption. In that case, the next Disruption Fallback specified in the applicable Final Terms will apply.

“Delivery Date” means, in respect of a Commodity Reference Price, the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as follows:

- (a) if a date is, or a month and year are, specified in the applicable Final Terms, that date or that month and year;
- (b) if a Nearby Month is specified in the applicable Final Terms, the month of expiration of the relevant Futures Contract; and
- (c) if a method is specified in the applicable Final Terms for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method.

“Disappearance of Commodity Reference Price” means (A) the permanent discontinuation of trading, in the relevant Futures Contract on the relevant Exchange; (B) the disappearance of, or of trading in, the relevant Commodity; or (C) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity.

“Exchange” means, in respect of a Commodity, each exchange or principal trading market for such Commodity specified in the applicable Final Terms or any successor to such exchange or principal trading market.

“Fallback Reference Dealers” means that the Relevant Price will be determined in accordance with the provisions of Commodity-Reference Dealers.

“Fallback Reference Price” means that the Calculation Agent will determine the Relevant Price based on the price for that Pricing Date of the first alternate Commodity Reference Price, if any, specified in the applicable Final Terms and not subject to a Market Disruption Event.

“Futures Contract” means, in respect of a Commodity Reference Price, the contract for future delivery of a contract size in respect of the relevant Delivery Date relating to the Commodity referred to in that Commodity Reference Price.

“Material Change in Formula” means the occurrence since the Trade Date of a material change in the formula for or the method of calculating the relevant Commodity Reference Price.

“Material Change in Content” means the occurrence since the Trade Date of a material change in the content, composition or constitution of the relevant Commodity or the relevant Futures Contract.

“Maximum Days of Disruption” means the number of Commodity Business Days specified in the applicable Final Terms or, if no such number is so specified, five Commodity Business Days.

“Nearby Month” when preceded by a numerical adjective, means, in respect of a Delivery Date and a Pricing Date, the month of expiration of the Futures Contract identified by that numerical adjective, so that, for example, (A) “First Nearby Month” means the month of expiration of the first Futures Contract to expire following that Pricing Date and (B) “Second Nearby Month” means the month of expiration of the second Futures Contract to expire following that Pricing Date etc.

“Postponement” means, in respect of a Pricing Date, that such Pricing Date will be deemed, for purposes of the application of this Disruption Fallback only, to be the first succeeding Commodity Business Day on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist (measured from and including the original day that would otherwise have been such Pricing Date) for consecutive Commodity Business Days equal in number to the Maximum Days of Disruption. In that case, the next Disruption Fallback specified in the applicable Final Terms will apply.

“Pricing Date” means the date or, in the case of Commodity Linked Interest Notes, each date specified as such in the applicable Final Terms (or determined pursuant to a method specified for such purpose), such date(s) being subject to the provisions of the Commodity Business Day Convention specified in the applicable Final Terms.

“Price Source” means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the applicable Final Terms or any successor.

“Price Source Disruption” means (A) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, (B) the temporary or permanent discontinuance or unavailability of the Price Source or (C) if a Commodity Reference Price is “Commodity-Reference Dealers”, the failure to obtain at least three quotations as requested from the relevant Reference Dealers.

“Redemption Amount” means, in relation to a Commodity Linked Redemption Note, the Redemption Amount specified in the applicable Final Terms.



“Reference Dealers” means the four dealers specified in the applicable Final Terms or, if four dealers are not so specified, four leading dealers in the relevant market selected by the Calculation Agent.

“Relevant Price” means, in respect of a Commodity and a Pricing Date, the price, expressed as a price per Unit, determined with respect to that day for the relevant Commodity Reference Price.

“Specified Price” means, in respect of a Commodity Reference Price, the price (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source) specified in the applicable Final Terms (and, if applicable, as of the time so specified).

“Strike Price” means the amount specified as such in the applicable Final Terms.

“Tax Disruption” means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority after the Trade Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

“Trade Date” means the date specified as such in the applicable Final Terms.

“Trading Disruption” means the material suspension of, or the material limitation imposed on, trading in the relevant Futures Contract or the relevant Commodity on the relevant Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. For these purposes:

- (a) a suspension of the trading in the relevant Futures Contract or the relevant Commodity on any Commodity Business Day shall be deemed to be material only if:
  - (i) all trading in the relevant Futures Contract or the relevant Commodity is suspended for the entire Pricing Date; or
  - (ii) all trading in the relevant Futures Contract or the relevant Commodity is suspended subsequent to the opening of trading on the Pricing Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract or Commodity on such Pricing Date and such suspension is announced less than one hour preceding its commencement; and
- (b) a limitation of trading in the relevant Futures Contract or the relevant Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the relevant Futures Contract or the relevant Commodity may fluctuate and the closing or settlement price of the relevant Futures Contract or the relevant Commodity on such day is at the upper or lower limit of that range.

“Unit” means, in respect of a Commodity, the unit of measure of such Commodity, as specified in the relevant Commodity Reference Price or the applicable Final Terms, as the case may be.

## 7. Index Linked Notes

If the Notes are specified as Index Linked Interest Notes and/or Index Linked Redemption Notes in the applicable Final Terms then the provisions of this Condition 7 apply, as applicable, as modified by the applicable Final Terms.

### (a) *Redemption of Index Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount (the "Specified Amount") of the Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer at its Redemption Amount (as defined below) on the Maturity Date.

### (b) *Adjustments to an Index*

#### (i) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (a "Successor Index Sponsor") acceptable to the Calculation Agent or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then, in each case, that index (the "Successor Index") will be deemed to be the Index.

#### (ii) Modification and Cessation of Calculation of an Index

If (i) on or prior to a Valuation Date the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or contracts and other routine events) (an "Index Modification") or permanently cancels the Index and no Successor Index exists (an "Index Cancellation"), or (ii) on a Valuation Date the Index Sponsor or (if applicable) the Successor Index Sponsor fails to calculate and announce a relevant Index (an "Index Disruption" and, together with an Index Modification and an Index Cancellation, each an "Index Adjustment Event"), then the Issuer may take the action described in (a) or (b) below:

- (a) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Notes and, if so, to either (A) in relation to any Valuation Date, calculate the Reference Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event or (B) substitute that Index with a replacement index using, in the determination of the Calculation Agent, the same or a substantially similar method of calculation as used in the calculation of that Index and the Calculation Agent shall determine the adjustments, if any, to be made to these Terms and Conditions and/or the applicable Final Terms to account for such substitution; or

- (b) give notice to the Noteholders in accordance with Condition 17 and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

(iii) Correction of an Index

If Correction of Index Levels is specified as applying in the applicable Final Terms, with the exception of any correction published after the Correction Cut-Off Date specified in the applicable Final Terms, if the official closing level of an Index published on a Valuation Date is subsequently corrected and the correction (the "Corrected Index Level") is published by the Index Sponsor or (if applicable) the Successor Index Sponsor within one Settlement Cycle after the original publication, (A) the Issuer shall give notice as soon as practicable of that correction to the Noteholders in accordance with Condition 17, (B) such Corrected Index Level shall be deemed to be the closing level for such Index for that Valuation Date and (C) the Calculation Agent shall use such Corrected Index Level in determining the relevant Interest Amount and/or Redemption Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant Interest Amount and/or Redemption Amount.

(iv) Notice

Upon the occurrence of an Index Adjustment Event, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 17 giving details of the action proposed to be taken in relation thereto.

(c) *Definitions applicable to Index Linked Notes*

For the purposes of this Condition 7:

"Clearance System" means, in respect of a security underlying an Index, the principal domestic clearance system customarily used for settling trades in such security.

"Clearance System Business Day" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event which results in such Clearance System being unable to clear the transfer of a relevant security, would have been) open for the acceptance and execution of settlement instructions.

"Disrupted Day" means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, 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; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index, (ii) any Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred.

"Exchange" means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, each exchange or quotation system specified as such for such

Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); or

- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, in relation to each component security of that Index (each a “Component Security”), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

“Exchange Business Day” means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) each Related Exchange is open for trading during its regular trading session, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

“Indices” and “Index” mean, subject to adjustment in accordance with Condition 7(b), the indices or index specified in the applicable Final Terms and related expressions shall be construed accordingly.

“Index Sponsor” means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Final Terms.

“Market Disruption Event” means:

- (a) in respect of an Index other than a Designated Multi-Exchange Index:
  - (i) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
    - (A) 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:
      - (x) on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index; or
      - (y) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

- (B) any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (x) to effect transactions in, or obtain market values for, on any relevant Exchange(s) securities that comprise 20 per cent. or more of the level of the relevant Index, or (y) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (ii) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) 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; or

(b) in respect of a Designated Multi-Exchange Index either:

- (i) the occurrence or existence, in respect of any Component Security, of:
  - (A) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security;
  - (B) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security; or
  - (C) an Early Closure in respect of such Component Security, which the Calculation Agent determines is material; and

the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists, comprises 20 per cent. or more of the level of the Index; OR

- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange, (B) an Exchange Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange or (C) an Early Closure, in each case in respect of such futures or options contracts and which the Calculation Agent determines is material.

As used above:

“Early Closure” means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be,

at least one hour prior to the earlier of: (a) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day; and (b) the submission deadline for orders to be entered into the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

“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 to effect transactions in, or obtain market values for: (a) any Component Security on the Exchange in respect of such Component Security; or (b) futures or options contracts relating to the Index on any Related Exchange.

“Trading Disruption” means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange, as the case may be, or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (a) relating to any Component Security on the Exchange in respect of such Component Security; or (b) in futures or options contracts relating to the Index on any Related Exchange.

For the purposes of determining whether a Market Disruption Event in respect of an Index or a Component Security exists at any time, if a Market Disruption Event occurs in respect of a security included in the Index or such Component Security at that time, then the relevant percentage contribution of that security or Component Security, as the case may be, to the level of the Index shall be based on a comparison of (a) the portion of the level of the Index attributable to that security or Component Security, as the case may be, and (b) the overall level of the Index, in each case either (i) except where the Index is a Designated Multi-Exchange Index, immediately before the occurrence of such Market Disruption Event or (ii) where the Index is a Designated Multi-Exchange Index, using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

“Redemption Amount” means, in relation to an Index Linked Redemption Note, the Redemption Amount specified in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, an amount equal to:

- (a) in the case of a Call Index Linked Redemption Note:
  - (i) if the Reference Price, in relation to the Valuation Date specified for such Index Linked Redemption Note in the applicable Final Terms, is greater than the Strike Price:  
$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount}; \text{ or}$$
  - (ii) if the Reference Price, in relation to the Valuation Date specified for such Index Linked Redemption Note in the applicable Final Terms, is equal to or less than the Strike Price:  
100 per cent. x Specified Amount; or

- (b) in the case of a Put Index Linked Redemption Note:
- (i) if the Reference Price, in relation to the Valuation Date specified for such Index Linked Redemption Note in the applicable Final Terms, is less than the Strike Price:  

$$100 \text{ per cent.} + \frac{\text{Strike Price} - \text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount}; \text{ or}$$
  - (ii) if the Reference Price, in relation to the Valuation Date specified for such Index Linked Redemption Note in the applicable Final Terms, is equal to or greater than the Strike Price:  

$$100 \text{ per cent.} \times \text{Specified Amount},$$

provided always that the Redemption Amount shall in no event be less than zero. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

“Reference Price” means, in relation to a Valuation Date:

- (a) where the Notes are specified in the applicable Final Terms to relate to a single Index, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on that Valuation Date (as defined below), without regard to any subsequently published correction; and
- (b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, an amount (which shall be deemed to be an amount of the Specified Currency) equal to the sum of the values calculated for each Index as the official closing level of each Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on that Valuation Date, without regard to any subsequently published correction, multiplied by the relevant Multiplier specified in the applicable Final Terms.

“Related Exchange” means, in relation to an Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, 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 Index 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 Index on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided That where “All Exchanges” is specified as the Related Exchange in the applicable Final Terms, “Related Exchange” shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

“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:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, (i) any day on which the Index Sponsor is scheduled to publish the level of that Index and (ii) each Related Exchange is scheduled to be open for trading for its regular trading session.

“Scheduled Valuation Date” means, in relation to a Valuation Date, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been that Valuation Date.

“Settlement Cycle” means, in respect of an Index, the period of Clearance System Business Days following a trade in the securities underlying such Index on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

“Strike Price” means the amount specified as such in the applicable Final Terms.

“Valuation Date” means, unless otherwise specified in the applicable Final Terms, the date or, in the case of Index Linked Interest Notes, each date specified as such in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:

- (a) where the Notes are specified in the applicable Final Terms to relate to a single Index, that Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be that Valuation Date notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall, where practicable, determine the Reference Price in the manner set out in the applicable Final Terms or, if not set out or not so practicable, determine the Reference Price by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); or
- (b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, that Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and that Valuation Date for each Index affected by the occurrence of a Disrupted Day (each an “Affected Index”) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where applicable, determine the Reference Price using, in



relation to the Affected Index, the level of that Index determined in the manner set out in the applicable Final Terms or, if not set out or if not so practicable, using the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

“Valuation Time” means:

- (a) where the Index is not specified in the applicable Final Terms as being a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to each Index to be valued. 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; or
- (b) where the Index is specified in the applicable Final Terms as being a Designated Multi-Exchange Index, the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, (i) for the purposes of determining whether a Market Disruption Event has occurred: (A) in respect of a Component Security, the Scheduled Closing Time on the relevant Exchange and (B) in respect of any options contracts or futures contracts on the Index, the close of trading on the relevant Related Exchange, and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor. If, for the purposes of (i) above, 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.

## **8. Equity Linked Notes**

If the Notes are specified as Equity Linked Interest Notes and/or Equity Linked Redemption Notes in the applicable Final Terms then the provisions of this Condition 8 apply, as applicable, as modified by the applicable Final Terms.

### *(a) Redemption of Equity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled as specified below, each nominal amount (the “Specified Amount”) of Equity Linked Redemption Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer (A) if Cash Settlement is specified in the applicable Final Terms, by payment of the Redemption Amount on the Maturity Date or (B) if Physical Delivery is specified in the applicable Final Terms, by delivery of the Asset Amount on the Maturity Date or (C) if Cash Settlement and/or Physical Delivery is specified in the applicable Final Terms, by payment of the Redemption Amount and/or by delivery of the Asset Amount on the terms set out in the applicable Final Terms, in each case on the Maturity Date, in each case subject as provided below.

(b) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Correction of Share Prices and Adjustments for Equity Linked Notes in respect of Underlying Equities quoted in European Currencies*

- (i) If Potential Adjustment Events are specified as applying in the applicable Final Terms, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equities and, if so, will (a) either (A) make the corresponding adjustment, if any, to any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Underlying Equity) or (B) substitute the Underlying Equity the subject of the Potential Adjustment Event with a replacement equity security selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Terms and Conditions and/or the applicable Final Terms to account for such substitution and (b) determine the effective date of that adjustment or substitution, as the case may be. With respect to an adjustment pursuant to (A) above, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon making any such adjustment, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 17, stating the adjustment to the relevant Interest Amount and/or Redemption Amount and/or the Asset Amount, the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

For the purposes of this Condition 8:

“Potential Adjustment Event” means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Underlying Equities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equities to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Underlying Equities of (1) such Underlying Equities or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of an Equity Issuer equally or proportionately with such payments to holders of such Underlying Equities or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Equity Issuer as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend as determined by the Calculation Agent;

- (d) a call by an Equity Issuer in respect of relevant Underlying Equities that are not fully paid;
  - (e) a repurchase by an Equity Issuer or any of its subsidiaries of relevant Underlying Equities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
  - (f) in respect of an Equity 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 Equity 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 event that has or may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Underlying Equities.
- (ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency is specified as applying in the applicable Final Terms and/or (y) if Tender Offer is specified as applying in the applicable Final Terms and (in the case of (x)), a De-listing, Merger Event, Nationalisation or Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each case, in relation to an Underlying Equity, the Issuer in its sole and absolute discretion may:
- (a) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account for the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may (i) include, without limitation, the substitution of the Underlying Equity the subject of the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer by a replacement equity security selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Terms and Conditions and/or the applicable Final Terms to account for such substitution or (ii) in the case of adjustments following a Merger Event or Tender Offer include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Underlying Equities; or
  - (b) give notice to the Noteholders in accordance with Condition 17 and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

If the provisions of Condition 8(b)(ii)(a) apply, the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, made by an options exchange to options on the Underlying Equities traded on that options exchange.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 stating the occurrence of the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of these Terms and Conditions:

“De-Listing” means, in respect of any relevant Underlying Equities, the Exchange announces that pursuant to the rules of such Exchange, such Underlying Equities cease (or will cease) to be listed, traded or publicly quoted on the 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, an Equity Issuer (A) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Underlying Equities of that Equity 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 Underlying Equities, any (a) reclassification or change of such Underlying Equities that results in a transfer of, or an irrevocable commitment to transfer, all such Underlying Equities outstanding to another entity or person, (b) consolidation, amalgamation, merger or binding share exchange of an Equity Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in any such reclassification or change of all such Underlying Equities outstanding), (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the Equity Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person), or (d) consolidation, amalgamation, merger or binding share exchange of the Equity Issuer or its subsidiaries with or into another entity in which the Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event, in each case if the Merger Date is on or before the relevant Valuation Date or, if the Notes are to be redeemed by delivery of Underlying Equities, the Maturity Date;

“Nationalisation” means that all the Underlying Equities or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof; and

“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 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity 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.

- (iii) If Correction of Share Prices is specified as applying in the applicable Final Terms, with the exception of any corrections published after the Correction Cut-Off Date specified in the applicable Final Terms, if the price of an Underlying Equity published on a Valuation Date is subsequently corrected and the correction (the “Corrected Share Price”) is published on the relevant Exchange within one Settlement Cycle after the original publication, (A) the Issuer shall give notice as soon as practicable of that correction to the Noteholders in accordance with Condition 17, (B) such Corrected Share Price shall be deemed to be the closing price for such Underlying Equity for that Valuation Date (C) and the Calculation Agent shall use such Corrected Share Price in determining the relevant Interest Amount and/or Redemption Amount. Corrections published after the Correction Cut-Off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant Interest Amount and/or Redemption Amount.
- (iv) In respect of Equity Linked Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Calculation Agent will adjust any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms as the Calculation Agent determines to be appropriate to preserve the economic terms of the Notes. The Calculation Agent will make any conversion necessary for the purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 8(b)(iii) will affect the currency denomination of any payments in respect of the Notes.

(c) *Physical Delivery*

If any Notes are to be redeemed by delivery of the Asset Amount, in order to obtain delivery of the Asset Amount(s) in respect of any Note:

- (A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice substantially in the form set out in the Agency Agreement (the “Asset Transfer Notice”); and
- (B) if such Note is in definitive form, the relevant Noteholder must deliver to any Paying Agent, with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, which is expected to be by authenticated SWIFT message or tested telex or (ii) if such Note is in definitive form, in writing.

If this Note is in definitive form, this Note must be delivered together with the duly completed Asset Transfer Notice.

The delivery of the Asset Amount shall be made (i) by the Delivery Agent specified in the applicable Final Terms and (ii) in the manner specified in the applicable Final Terms or in such other commercially reasonable manner as the Issuer shall, in its sole discretion, determine to be appropriate for such delivery and shall notify to the Noteholders in accordance with Condition 17.

All expenses including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or other taxes or duties (together "Delivery Expenses") arising from the delivery and/or transfer of any Asset Amount shall be for the account of the relevant Noteholder and no delivery and/or transfer of any Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, any account details required for delivery as set out in the applicable Final Terms and the person from whom the Issuer may obtain details for the delivery of the Asset Amount if such delivery is to be made otherwise than in the manner specified in the applicable Final Terms;
- (2) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Notes on or before the Maturity Date;
- (3) include an undertaking to pay all Delivery Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;
- (4) specify an account to which any dividends payable pursuant to this Condition 8(c) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and
- (5) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear, Clearstream, Luxembourg, or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

In the case of Notes represented by a Global Note, upon receipt of such notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person specified therein as the Noteholder is the holder of the specified nominal amount of Notes according to its books.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

Subject as provided in this Condition, in relation to each Note which is to be redeemed by delivery of the Asset Amount, the Asset Amount will be delivered at the risk of the relevant Noteholder, in the manner provided above on the Maturity Date (such date, subject to adjustment in accordance with this Condition, the "Delivery Date"), provided that the Asset Transfer Notice is duly delivered to Euroclear, Clearstream, Luxembourg or a Paying Agent, as the case may be, with a copy to the Issuer, as provided above, not later than the close of business in each place of receipt on the Cut-Off Date.

If an Asset Transfer Notice is delivered to Euroclear, Clearstream, Luxembourg or a Paying Agent, as the case may be, with a copy to the Issuer, later than the close of business in each place of receipt on the Cut-Off Date, then the Asset Amount will be delivered as soon as practicable after the Maturity Date (in which case, such date of delivery shall be the Delivery Date) at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the originally designated Delivery Date and no liability in respect thereof shall attach to the Issuer.

If, prior to the delivery of the Asset Amount in accordance with this Condition, a Settlement Disruption Event is subsisting, then the Delivery Date in respect of such Note shall be postponed until the date on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder, in accordance with Condition 17. Such Noteholder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Asset Amount pursuant to this paragraph. Where delivery of the Asset Amount has been postponed as provided in this paragraph the Issuer shall not be in breach of these Terms and Conditions and no liability in respect thereof shall attach to the Issuer or the Guarantor.

For so long as delivery of the Asset Amount in respect of any Note is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election (the "Election Notice") is given to the Noteholders in accordance with Condition 17. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 17.

For such period of time after the Maturity Date as any person other than the relevant Noteholder shall continue to be the legal owner of the securities comprising the Asset Amount (the "Intervening Period"), neither the Issuer nor any other such person shall (i) be under any

obligation to deliver or procure delivery to the relevant Noteholder or any subsequent beneficial owner of such Note any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such Note, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Note during the Intervening Period or (iii) be under any liability to the relevant Noteholder, or any subsequent beneficial owner of such Note in respect of any loss or damage which the relevant Noteholder, or subsequent beneficial owner may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of such Notes during such Intervening Period.

Any interest, dividend or other distribution in respect of any Asset Amount will be payable to the party that would receive such interest, dividend or other distribution according to market practice for a sale of the Underlying Equity executed on the Maturity Date and to be delivered in the same manner as the Asset Amount. Any such interest dividend or other distribution to be paid to a Noteholder shall be paid to the account specified in the relevant Asset Transfer Notice.

Where the Asset Amount is, in the determination of the Issuer, an amount other than an amount of Relevant Assets capable of being delivered, the Noteholders will receive an Asset Amount comprising of the nearest number (rounded down) of Relevant Assets capable of being delivered by the Issuer (taking into account that a Noteholder's entire holding may be aggregated at the Issuer's sole and absolute discretion for the purpose of delivering the Asset Amounts), and an amount in the Specified Currency (being the "Fractional Share Amount") which shall be the value of the amount of the Relevant Assets so rounded down, as calculated by the Calculation Agent from such source(s) as it may select (converted if necessary into the Specified Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment of the Fractional Share Amount will be made (i) by the Delivery Agent specified in the applicable Final Terms and (ii) in such manner as shall be notified to the Noteholders in accordance with Condition 17.

For the purposes of this Condition 8(c):

"Disruption Cash Settlement Price" means an amount equal to the fair market value of the relevant Note (but not taking into account any interest accrued on such Note as such interest shall be paid pursuant to Conditions 3 and 4) on such day as shall be selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 days before the date that the Election Notice is given as provided above adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any Affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent; and

"Settlement Disruption Event" means an event beyond the control of the Issuer, as a result of which, in the opinion of the Calculation Agent, delivery of the Asset Amount by or on behalf of the Issuer or the Guarantor, as the case may be, in accordance with these Terms and Conditions and/or the applicable Final Terms is not practicable.

(d) *Failure to Deliver due to Illiquidity*

If Failure to Deliver due to Illiquidity is specified as applying in the applicable Final Terms and, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets comprising the Asset Amount (the "Affected Relevant Assets"),



where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a “Failure to Deliver”), then:

- (a) subject as provided elsewhere in these Terms and Conditions and/or the applicable Final Terms, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Delivery Date in accordance with Condition 8(c); and
- (b) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion, in lieu of delivery of the Affected Relevant Assets, to pay to the relevant Noteholder the Failure to Deliver Settlement Price (as defined below) on the fifth Business Day following the date the Failure to Deliver Notice (as defined below) is given to the Noteholders in accordance with Condition 17. Payment of the Failure to Deliver Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 17. The Issuer shall give notice (such notice a “Failure to Deliver Notice”) as soon as reasonably practicable to the Noteholders in accordance with Condition 17 that the provisions of this Condition 8(d) apply.

In these Terms and Conditions:

“Affiliate” means in relation to any entity (the “First Entity”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes “control” means ownership of a majority of the voting power of an entity.

“Failure to Deliver Settlement Price” means, in respect of each nominal amount of the Notes equal to the Calculation Amount, the fair market value of the Affected Relevant Assets on the fifth Business Day prior to the date on which the Failure to Deliver Notice is given as provided above, less the proportionate cost to the Issuer and/or its Affiliates of unwinding or adjusting any underlying or related hedging arrangements in respect of the Notes, all as calculated by the Calculation Agent.

(e) *Definitions applicable to Equity Linked Notes*

For the purposes of this Condition 8:

“Clearance System” means, in respect of an Underlying Equity, the principal domestic clearance system customarily used for settling trades in such Underlying Equity.

“Clearance System Business Day” means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of an event which results in such Clearance System being unable to clear the transfer of the relevant Underlying Equity, would have been) open for the acceptance and execution of settlement instructions.

“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.

“Equity Issuer” means, in relation to an Underlying Equity, the issuer of such Underlying Equity.

“Exchange” means, in respect of an Underlying Equity, each exchange or quotation system specified as such for such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent

has determined that there is comparable liquidity relative to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

“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 any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“Market Disruption Event” means, in respect of an Underlying Equity:

- (a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (i) 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:
    - (A) relating to the Underlying Equity on the Exchange; or
    - (B) in futures or options contracts relating to the Underlying Equity on any relevant Related Exchange; or
  - (ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Underlying Equities on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying Equity on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (b) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (B) 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.

“Redemption Amount” means, in relation to an Equity Linked Redemption Note, the Redemption Amount specified in the applicable Final Terms or, if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

- (a) in the case of a Call Equity Linked Redemption Note:
  - (i) if the Reference Price, in relation to the Valuation Date specified for such Equity Linked Redemption Note in the applicable Final Terms, is greater than the Strike Price:

$$\frac{\text{Reference Price}}{\text{Strike Price}} \times \text{Specified Amount; or}$$

- (ii) if the Reference Price, in relation to the Valuation Date specified for such Equity Linked Redemption Note in the applicable Final Terms, is equal to or less than the Strike Price:

100 per cent. x Specified Amount; or

- (b) in the case of a Put Equity Linked Redemption Note

- (i) if the Reference Price, in relation to the Valuation Date specified for such Equity Linked Redemption Note in the applicable Final Terms, is less than the Strike Price:

100 per cent. +  $\frac{\text{Strike Price} - \text{Reference Price}}{\text{Strike Price}}$  x Specified Amount; or

- (ii) if the Reference Price, in relation to the Valuation Date specified for such Equity Linked Redemption Note in the applicable Final Terms, is equal to or greater than the Strike Price:

100 per cent. x Specified Amount,

provided always that the Redemption Amount shall in no event be less than zero. The Redemption Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards.

“Reference Price” means, in relation to a Valuation Date:

- (a) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, an amount equal to the official closing price on that Valuation Date (or, if so specified in the applicable Final Terms the price at the Valuation Time on that Valuation Date) of the Underlying Equity quoted on the Exchange without regard to any subsequently published correction as determined by the Calculation Agent (or if, in the opinion of the Calculation Agent, no such price (or, as the case may be, no such official closing price) can be determined at such time and, if either Disrupted Day is specified as applying in the applicable Final Terms and that Valuation Date is not a Disrupted Day or if Disrupted Day is specified as not applying in the applicable Final Terms, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on that Valuation Date and the fair market selling price at the Valuation Time on that Valuation Date for the Underlying Equity based, at the Calculation Agent’s discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide). The amount determined pursuant to the foregoing shall be converted, if Exchange Rate is specified as applying in the applicable Final Terms, into the Specified Currency at the Exchange Rate and such converted amount shall be the Reference Price; and
- (b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, an amount equal to the sum of the values calculated for each Underlying Equity as the official closing price on that Valuation Date (or, if so specified in the applicable Final Terms, the price at the Valuation Time on that Valuation Date) of the Underlying Equity quoted on the relevant Exchange without regard to any subsequently published correction as determined by the Calculation Agent (or if, in the opinion of the Calculation Agent, no such price (or, as the case may be, any such official

closing price) can be determined at such time and, if Disrupted Day is specified as applying in the applicable Final Terms, and that Valuation Date is not a Disrupted Day or if Disrupted Day is specified as not applying in the applicable Final Terms, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the fair market buying price at the Valuation Time (or, as the case may be, of the closing fair market buying price) on that Valuation Date and the fair market selling price at the Valuation Time (or, as the case may be, of the closing fair market selling price) on that Valuation Date for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide), multiplied by the Multiplier specified in the applicable Final Terms. Each value determined pursuant to the foregoing shall be converted, if Exchange Rate is specified as applying in the applicable Final Terms, into the Specified Currency at the Exchange Rate and the sum of such converted amounts shall be the Reference Price.

"Related Exchange" means, in relation to an Underlying Equity, each exchange or quotation system specified as such in relation to such Underlying Equity in the applicable Final Terms, 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 Underlying Equity 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 Underlying Equity on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided That where "All Exchanges" is specified as the Related Exchange in the applicable Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Equity.

"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.

"Scheduled Valuation Date" means, in relation to a Valuation Date, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been that Valuation Date.

"Settlement Cycle" means, in respect of an Underlying Equity, the period of Clearance System Business Days following a trade in such Underlying Equity on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"Strike Price" means the amount specified as such in the applicable Final Terms.

"Underlying Equities" and "Underlying Equity" mean the equity securities or equity security specified as such in the applicable Final Terms and related expressions shall be construed accordingly.

"Valuation Date" means, unless otherwise specified in the applicable Final Terms, the date or, in the case of Equity Linked Interest Notes, each date specified as such in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading

Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day:

- (a) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, that Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be that Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price in the manner set out in the applicable Final Terms or, if not set out or not so practicable, determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day; or
- (b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, that Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and that Valuation Date for each Underlying Equity affected (each an "Affected Equity") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Equity unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Equity. In that case (i) that eighth Scheduled Trading Day shall be deemed to be that Valuation Date for the Affected Equity, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price using, in relation to the Affected Equity, a price determined in the manner set out in the applicable Final Terms or, if not set out or if not so practicable, using its good faith estimate of the value for the Affected Equity as of the Valuation Time on that eighth Scheduled Trading Day and otherwise in accordance with the above provisions.

"Valuation Time" means the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to each Underlying Equity to be valued. 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.

## **9. Additional Disruption Events (applicable to Index Linked Notes and Equity Linked Notes only)**

### *(a) Additional Disruption Events*

If the Notes are Index Linked Notes or Equity Linked Notes and Additional Disruption Events are specified as applicable in the applicable Final Terms, then if an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or the Redemption Amount and/or the Asset Amount and/or the Strike Price and/or the Multiplier and/or any of the other terms of these Terms and Conditions and/or the applicable Final Terms to account

for the Additional Disruption Event and determine the effective date of that adjustment;  
or

- (ii) give notice to the Noteholders in accordance with Condition 17 and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(b) *Definitions applicable to Additional Disruption Events*

“Additional Disruption Event” means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing (applicable only for Equity Linked Redemption Notes) and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms.

“Change in Law” means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines that (X) it has become illegal to hold, acquire or dispose of any relevant Underlying Equity (in the case of Equity Linked Notes) or any relevant security comprised in an Index (in the case of Index Linked Notes) or (Y) it will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

“Hedging Disruption” means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

“Hedging Shares” means the number of Underlying Equities (in the case of Equity Linked Notes) or securities comprised in an Index (in the case of Index Linked Notes) that the Calculation Agent deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

“Increased Cost of Hedging” means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

“Increased Cost of Stock Borrow” means that the Issuer and/or any of its Affiliates would incur a rate to borrow any Underlying Equity (in the case of Equity Linked Notes) or any security comprised in an Index (in the case of Index Linked Notes) that is greater than the Initial Stock Loan Rate.

“Initial Stock Loan Rate” means, in respect of an Underlying Equity (in the case of Equity Linked Notes) or a security comprised in an Index (in the case of Index Linked Notes), the Initial Stock Loan Rate specified in relation to such Underlying Equity or security in the applicable Final Terms.

“Insolvency Filing” means that an Equity Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Equity Issuer shall not be deemed an Insolvency Filing.

“Loss of Stock Borrow” means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Underlying Equity (in the case of Equity Linked Notes) or any securities comprised in an Index (in the case of Index Linked Notes) in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

“Maximum Stock Loan Rate” means, in respect of an Underlying Equity (in the case of Equity Linked Notes) or a security comprised in an Index (in the case of Index Linked Notes), the Maximum Stock Loan Rate specified in the applicable Final Terms.

## **10. Credit Linked Notes**

If the Notes are specified as Credit Linked Notes in the applicable Final Terms then the provisions of this Condition 10 apply as modified by the applicable Final Terms.

Unless otherwise stated in this Condition 10 or in the applicable Final Terms, in the event that any day specified in the section “*Credit Linked Notes*” in the applicable Final Terms or the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such day or last day shall be subject to adjustment in accordance with the applicable Business Day Convention.

### *(a) Redemption of Credit Linked Notes*

Unless previously redeemed or purchased and cancelled and subject as provided in Condition 10(b), Condition 10(c) and Condition 10(d), as applicable, each nominal amount of Notes equal to the Calculation Amount set out in the applicable Final Terms will be redeemed by the Issuer at its Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

### *(b) Auction Settlement*

If Conditions to Settlement are satisfied, then where Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give

notice (such notice an “Auction Settlement Notice”) to the Noteholders in accordance with Condition 17 and, subject to any adjustment in accordance with Condition 10(n), redeem all but not some only of the Notes, each nominal amount of Notes equal to the Calculation Amount set out in the applicable Final Terms being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.

Unless settlement has occurred in accordance with the paragraph above, if:

- (i) an Auction Cancellation Date occurs;
- (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
- (iii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date;
- (iv) a Credit Event Determination Date was determined pursuant to paragraph (a) of the definition of Credit Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Credit Event Determination Date; or
- (v) a Credit Event Determination Date was determined pursuant to paragraph (b)(B)(I) or (b)(B)(II) of the definition of Credit Event Determination Date,

then:

- (A) if Fallback Settlement Method – Cash Settlement is specified as applicable in the applicable Final Terms, the Issuer shall redeem the Notes in accordance with Condition 10(c) below; or
- (B) if Fallback Settlement Method – Physical Delivery is specified as applicable in the applicable Final Terms, the Issuer shall redeem the Notes in accordance with Condition 10(d) below.

***If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(b), upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a Note. Any shortfall shall be borne by the Holder and no liability shall attach to the Issuer or the Guarantor.***

(c) *Cash Settlement*

If Conditions to Settlement are satisfied, then where Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms or if Condition 10(b)(A) above applies, the Issuer shall give notice (such notice a “Cash Settlement Notice”) to the Noteholders in accordance with Condition 17 and redeem all but not some only of the Notes, each nominal amount of Notes equal to the Calculation Amount set out in the applicable Final Terms being redeemed by the Issuer at the Credit Event Redemption Amount in the relevant Specified Currency on the Credit Event Redemption Date.



***If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(c), upon payment of the Credit Event Redemption Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.***

(d) *Physical Settlement*

If Conditions to Settlement are satisfied, then where Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms or if Condition 10(b)(B) above applies, the Issuer shall, following the receipt of a Calculation Agent Physical Settlement Notice, give notice (such notice a “Notice of Physical Settlement”) to the Noteholders in accordance with Condition 17 and redeem all but not some only of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed by the Issuer by Delivery of the Deliverable Obligations comprising the Asset Amount on the Settlement Date, subject to and in accordance with Conditions 10(i) and (j).

In the Notice of Physical Settlement, the Issuer shall specify the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value.

The Issuer may, from time to time, amend a Notice of Physical Settlement by delivering a notice to Noteholders in accordance with Condition 17 (each such notification, a “Physical Settlement Amendment Notice”) that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such Physical Settlement Amendment Notice is effective). A Physical Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will Deliver (each, a “Replacement Deliverable Obligation”) and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of Asset Amount) of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Deliverable Obligation, the “Replaced Deliverable Obligation Outstanding Amount”). The Replacement Deliverable Obligation(s), taken together, shall have an aggregate Replaced Deliverable Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of any such amount(s)) of the Deliverable Obligations being replaced. Each such Physical Settlement Amendment Notice must be effective on or prior to the Settlement Date (determined without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to Noteholders (in accordance with Condition 17) prior to the relevant Delivery Date; it being understood that such notice of correction shall not constitute a Physical Settlement Amendment Notice.

If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount

only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.

If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

***If Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(d), upon Delivery of the Deliverable Obligations Deliverable and/or payment of the Partial Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount, as the case may be, may be less than the Calculation Amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.***

(e) *Repudiation/Moratorium Extension*

If Repudiation/Moratorium is specified as a Credit Event in the applicable Final Terms, the provisions of this Condition 10(e) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) but, in the determination of the Calculation Agent, the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Termination Date or, if Condition 10(h)(y) applies, the Postponed Maturity Date (as defined in Condition 10(h)) and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will, in the sole determination of the Calculation Agent, fall after the Scheduled Termination Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 17 that a Potential Repudiation/Moratorium has occurred and:

- (i) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
  - (A) each nominal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the Repudiation/Moratorium Evaluation Date; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Period End Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Repudiation/Moratorium Evaluation Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied, the provisions of

Condition 10(b), Condition 10(c) or Condition 10(d), as applicable, shall apply to the Notes.

*The Luxembourg Stock Exchange will be notified in respect of any such postponement of the Maturity Date pursuant to this Condition 10(e).*

(f) *Grace Period Extension*

If “Grace Period Extension” is specified as applying in the applicable Final Terms, the provisions of this Condition 10(f) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) but, in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) (and such Grace Period(s) is/are continuing as at the Scheduled Termination Date), then the Calculation Agent shall notify the Noteholders in accordance with Condition 17 that a Potential Failure to Pay has occurred and:

- (i) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (A) each nominal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the Grace Period Extension Date; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Period End Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied, the provisions of Condition 10(b), Condition 10(c) or Condition 10(d), as applicable, shall apply to the Notes.

*The Luxembourg Stock Exchange will be notified in respect of such postponement of the Maturity Date pursuant to this Condition 10(f).*

(g) *Credit Derivatives Determinations Committee Extension*

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) then the Calculation Agent shall notify Noteholders in accordance with Condition 17 that the Maturity Date has been postponed to a date (the “DC Cut-off Date”) being the earliest of: (i) 15 Business Days following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred; (ii) the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred and (iii) 15 Business Days following

the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine whether a Credit Event has occurred and:

- (i) where a Credit Event has not occurred on or prior to the DC Cut-off Date:
  - (A) each nominal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the DC Cut-off Date; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Period End Date immediately preceding the Scheduled Maturity Date or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the DC Cut-off Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii) where a Credit Event has occurred on or prior to the DC Cut-off Date and Conditions to Settlement are satisfied, the provisions of Condition 10(b), Condition 10(c) or Condition 10(d), as applicable, shall apply to the Notes.

*The Luxembourg Stock Exchange will be notified in respect of such postponement of the Maturity Date pursuant to this Condition 10(g).*

(h) *Maturity Date Extension*

Without prejudice to Condition 10(k), if:

- (x) on (A) the Scheduled Termination Date, (B), if applicable, the Repudiation/Moratorium Evaluation Date or (C) if Grace Period Extension is specified as applying in the applicable Final Terms, the Grace Period Extension Date, Conditions to Settlement have not been satisfied but, in the determination of the Calculation Agent, a Credit Event may have occurred; or
- (y) on the Scheduled Termination Date, in the determination of the Calculation Agent, a Potential Repudiation/Moratorium may have occurred,

the Calculation Agent may at its option notify the Noteholders in accordance with Condition 17 that the Maturity Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, has been postponed to a date (such date the "Postponed Maturity Date") specified in such notice falling 15 Business Days after the Scheduled Maturity Date, the Repudiation/Moratorium Evaluation Date or the Grace Period Extension Date, as the case may be, and:

where:

- (i) in the case of Condition 10(h)(x), Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date or, in the case of Condition 10(h)(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date:
  - (A) subject as provided below, each nominal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at the Redemption Amount on the fifth Business Day following the Postponed Maturity Date; and

- (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Period End Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the fifth Business Day following the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii) where:
  - (A) in the case of Condition 10(h)(x), Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 10(b), Condition 10(c) or Condition 10(d), as applicable, shall apply to the Notes; or
  - (B) in the case of Condition 10(h)(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 10(e) shall apply to the Notes.

*The Luxembourg Stock Exchange will be notified in respect of any such postponement of the Maturity Date pursuant to this Condition 10(h).*

(i) *Physical Delivery*

- (i) If any Note is to be redeemed by delivery of the Asset Amount(s), in order to obtain delivery of such Asset Amount(s):
  - (A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and
  - (B) if such Note is in definitive form, the relevant Noteholder must deliver this Note to any Paying Agent with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, together with a duly completed Asset Transfer Notice.

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or if such Note is in definitive form, in writing or by authenticated SWIFT message.

If this Note is in definitive form, this Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Final Terms;

- (2) in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise Euroclear or Clearstream, Luxembourg, as the case may be, to debit the relevant Noteholder's account with such Notes on or before the Settlement Date;
- (3) include an undertaking to pay all Delivery Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder at Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;
- (4) specify an account to which any amounts payable pursuant to Condition 10(h) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and
- (5) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by Euroclear or Clearstream, Luxembourg or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

In the case of Notes represented by a Global Note, upon receipt of such notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person specified therein as the Noteholder is the holder of the specified nominal amount of Notes according to its books.

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Terms and Conditions shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, after consultation with the Issuer and shall be conclusive and binding on the Issuer, the Guarantor and the relevant Noteholder and, in the case of Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer or the Guarantor, as applicable, and shall be conclusive and binding on the Issuer, the Guarantor and the relevant Noteholder.

Delivery of the Asset Amount(s) in respect of each Note shall be made at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Final Terms.

If a Noteholder fails to give an Asset Transfer Notice as provided herein on or prior to the Cut-Off Date specified in the applicable Final Terms, the Issuer or the Guarantor, as the case may be, will, subject as provided above, deliver the Deliverable Obligations constituting the Asset Amount in respect of the relevant Notes as soon as practicable after the receipt of the duly completed Asset Transfer Notice, Provided That if, in respect of a Note, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut -Off Date, the obligations of the Issuer and the Guarantor in respect of such Notes shall be discharged and neither the Issuer nor the Guarantor shall have any liability in respect thereof.

- (ii) All Delivery Expenses arising from the delivery of the Asset Amount in respect of any Notes shall be for the account of the relevant Noteholder and no delivery of any Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After delivery of an Asset Amount in respect of a Note and for the Intervening Period, none of the Issuer, the Guarantor, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the securities or obligations included in such Asset Amount, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations included in such Asset Amount or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations included in such Asset Amount.

- (iii) In relation to each Deliverable Obligation constituting any Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Settlement Date Provided That if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 30th Business Day following the Settlement Date (the "Final Delivery Date"),

Provided Further That if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Condition 10(j) shall apply.

(j) *Partial Cash Settlement*

If all or a portion of the Obligations comprising the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, the Issuer shall give notice (a "Partial Cash Settlement Notice") to the Noteholders in accordance with Condition 17 and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

In the Partial Cash Settlement Notice, the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

Unless otherwise specified in the applicable Final Terms, for the purposes of this Condition 10(j) only the following terms shall be defined as follows:

"Indicative Quotation" means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

“Market Value” means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the applicable Final Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (ii) of the definition of “Quotation” below, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if the Quotations are deemed to be zero, the Market Value shall be zero.

“Partial Cash Settlement Amount” is deemed to be, for an Undeliverable Obligation or a Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price or the Auction Final Price, if applicable, with respect to such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, less if applicable (C) Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), and (ii) zero.

“Partial Cash Settlement Date” is deemed to be the date falling three Business Days after (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date, if applicable.

“Quotation” means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the applicable Final Terms, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the applicable Final Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.



- (ii) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the applicable Final Terms, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day of, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
- (iii) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

“Quotation Amount” is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

“Quotation Method” is deemed to be Bid.

“Reference Obligation” is deemed to be each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be.

“Valuation Method” is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case “Valuation Method” is deemed to be Market.

“Valuation Time” is the time specified as such in the applicable Final Terms, or, if no time is so specified, 11:00 a.m. in the principal trading market for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be.

“Weighted Average Quotation” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

(k) *Settlement Suspension*

(i) Suspension

Without prejudice to Condition 10(h) above, if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of Credit Event Determination Date but prior to the Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, the Calculation Agent may, at its option, determine that the applicable timing requirements of this Condition 10 and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other provision in this Condition 10 as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a "Suspension Period") until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved (a) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (A) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (B) not to determine such matters, the relevant timing requirements of this Condition 10 that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

In the event of any such Suspension Period, the Calculation Agent may make (x) such consequential or other adjustment(s) or determination(s) to or in relation to these Terms and Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (y) determine the effective date of such adjustment(s) or determination(s).

(ii) Interest

In the case of interest bearing Notes:

- (A) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (B) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Interest Payment Date and no later than the fifth Interest Payment Date following the end of the Suspension Period, all subject to the provisions of Condition 3 and Conditions 10(e), (f) and (g).

(l) *Redemption following a Merger Event*

If "Merger Event" is specified as applying in the applicable Final Terms, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 17 and redeem all but not some only of the Notes and pay in respect of each nominal amount of the Notes equal to the Calculation Amount the Early Redemption Amount on the Merger Event Redemption Date.

(m) *Definitions applicable to Credit Linked Notes*

“2.5-year Limitation Date” has the meaning given to that term in the definition of “Limitation Date”.

“5-year Limitation Date” has the meaning given to that term in the definition of “Limitation Date”.

“20-year Limitation Date” has the meaning given to that term in the definition of “Limitation Date”.

“2005 Matrix Supplement” means the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions as published by ISDA on 7th March, 2005.

“Accreted Amount” means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if “Include Accrued Interest” is specified as being applicable in the applicable Final Terms. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation’s yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

“Accreting Obligation” means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (b) periodic cash interest is also payable.

“Affiliate” means, in relation to any entity (the “First Entity”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes “control” means ownership of a majority of the voting power of an entity.

“Asset Amount” means, in respect of each nominal amount of Notes equal to the Calculation Amount, Deliverable Obligations, as selected by the Calculation Agent, with:

- (i) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance (including accrued but unpaid interest (as determined by the Calculation Agent) if “Include Accrued Interest” is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if “Exclude Accrued Interest” is specified as applying in the applicable Final Terms, and if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest); or
- (ii) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the Calculation Amount less, if Unwind Costs are specified as applying in the applicable Final Terms, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to the Unwind Costs.

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

“Asset Transfer Notice” means a duly completed asset transfer notice substantially in the form set out in the Agency Agreement.

“Auction” shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

“Auction Cancellation Date” shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

“Auction Covered Transaction” shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

“Auction Final Price” shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

“Auction Final Price Determination Date” shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

“Auction Settlement Date” shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

“Auction Settlement Notice” has the meaning given to that term in Condition 10(b).

“Bankruptcy” means a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof or before the Scheduled Termination Date, whichever is earlier;
- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter or before the Scheduled Termination Date, whichever is earlier; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

"Best Available Information" means:

- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the

Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor".

Information which is made available more than fourteen calendar days after the legally effective date of the Succession Event shall not constitute "Best Available Information".

"Calculation Agent City Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City specified in the applicable Final Terms.

"Calculation Agent Physical Settlement Notice" has the meaning given to that term in the definition of Conditions to Settlement.

"Cash Settlement Notice" has the meaning given to that term in Condition 10(c).

"Conditionally Transferable Obligation" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer or the Guarantor, as the case may be.

"Conditions to Settlement" means the requirements set out in each of (a), (b) and (c), as applicable, below:

- (a) all of the Conditions to Settlement shall be deemed to be satisfied by the occurrence of a Credit Event Determination Date except where such Credit Event Determination Date is subsequently reversed prior to the Auction Final Price Determination Date, a Valuation Date, the Settlement Date, the Credit Event Redemption Date or the Maturity Date, as applicable, unless Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method) in which case all of the Conditions to Settlement shall be deemed to be satisfied by delivery of a Calculation Agent Physical Settlement Notice as described in (c) below on or following the occurrence of a Credit Event Determination Date;
- (b) if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information Condition to Settlement is satisfied if either (i) the Calculation Agent delivers to the Issuer a Notice of Publicly Available Information that is effective during one of the periods specified in paragraph (a) of the definition of Credit Event Determination Date or (ii) ISDA publicly announces

on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for purposes of the relevant Notes has occurred with respect to the relevant Reference Entity or Obligation thereof; and

- (c) the Calculation Agent delivers to the Issuer a notice of physical settlement (a “Calculation Agent Physical Settlement Notice”), subject where applicable to Condition 10(k), on or prior to:
  - (i) the later of:
    - (A) the thirty-second calendar day (subject to adjustment in accordance with the applicable Business Day Convention) after the Credit Event Determination Date; and
    - (B) the twelfth calendar day after either (I) the date of the relevant DC Credit Event Announcement, if any, or (II) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date; or
  - (ii) if “Physical Delivery” is applicable pursuant to the Fallback Settlement Method and:
    - (A) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, such Restructuring has occurred where neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms), the thirty-second calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or
    - (B) the relevant Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, either:
      - I. the thirty-second calendar day after:
        - (1) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of No Auction Announcement Date, if any; or
        - (2) a No Auction Announcement Date occurring pursuant to paragraph (c) of the definition of No Auction Announcement Date, if any, in circumstances where no Parallel Auction will be held; or
        - (3) the Auction Cancellation Date, if any; or
      - II. the second Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one should occur, the last Parallel Auction Final Price

Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:

- (1) a No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date and the Issuer has not exercised the Movement Option; or
- (2) a No Auction Announcement Date occurs pursuant to paragraph (c) of the definition of No Auction Announcement Date in circumstances where one or more Parallel Auctions will be held,

provided that in the case of paragraphs (c)(i)(B) and (c)(ii), the relevant Credit Event Resolution Request Date occurred on or prior to the date described in paragraph (c)(i)(A).

For purposes of determining whether the conditions of this paragraph (c) have been satisfied, the effective date of delivery of the Calculation Agent Physical Settlement Notice (whether or not subsequently changed) shall be used.

“Convertible Obligation” means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

“Credit Derivatives Auction Settlement Terms” means any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

“Credit Derivatives Determinations Committees” and each a “Credit Derivatives Determinations Committee” means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof (the “Rules”).

“Credit Event” means the occurrence of any one or more of the Credit Events specified in the applicable Final Terms which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified in the applicable Final Terms.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;



- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

“Credit Event Backstop Date” means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in paragraph (b) of the definition of Repudiation/Moratorium), as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date; or
- (b) otherwise, the date that is 60 calendar days prior to the earlier of:
  - (i) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during the Notice Delivery Period; and
  - (ii) in circumstances where:
    - (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraph (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules;
    - (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters; and
    - (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters,

the Credit Event Resolution Request Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

“Credit Event Determination Date” means, in respect of any Credit Event:

- (a) subject to subsection (b) below, if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred, the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during either:
  - (A) the Notice Delivery Period; or

- (B) the period (I) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date (II) to, and including, the date that is fourteen calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or
- (b) notwithstanding paragraph (a) above, if a DC Credit Event Announcement has occurred, either:
  - (A) the Credit Event Resolution Request Date, if
    - I. either:
      - (1) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms; or
      - (2) the relevant Credit Event is a Restructuring; and
    - II. the Credit Event Notice is delivered by the Calculation Agent to the Issuer on or prior to the date falling two Business Days after the Exercise Cut-off Date; or
  - (B) the first date on which the Credit Event Notice is delivered by the Calculation Agent to the Issuer during (I) the Notice Delivery Period or (II) the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant DC Credit Event Announcement to, and including, the date that is fourteen calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
    - I. Auction Settlement is not specified as the applicable Settlement Method in the applicable Final Terms; or
    - II. Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and the Credit Event Notice is delivered by the Calculation Agent to the Issuer on a date that is later than the date falling two Business Days after the relevant Exercise Cut-off Date,

provided that, in the case of paragraph (b) above, (1) this shall be subject to any adjustment in accordance with Condition 10(n) and (2) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Calculation Agent to the Issuer unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date; and

provided further that no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, the Settlement Date, the Credit Event Redemption Date or the Maturity Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to this Condition 10 (including any adjustment to payment amounts) as may be required to achieve as far as practicable the same economic position of Noteholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

“Credit Event Notice” means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred at or after the Credit Backstop Date Time (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time).

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in Condition 17.

“Credit Event Redemption Amount” means the amount specified as such in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

“A” is the Calculation Amount;

“B” is the Final Price or the Auction Final Price, as applicable; and

“C” is Unwind Costs,

provided that in no event shall the Credit Event Amount be less than zero.

“Credit Event Redemption Date” means, subject to Condition 10(k), the day falling the number of Business Days specified in the applicable Final Terms after (i) the calculation of the Final Price or (ii) the Auction Settlement Date, as applicable.

“Credit Event Resolution Request Date” means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with

the Rules, of Publicly Available Information with respect to the DC Resolutions referred to in paragraphs (a) and (b) above.

*As at the date hereof, the Rules provide that each "Eligible Market Participant" (being each party which is a party to a credit derivatives transaction that have, or are deemed to have incorporated the March 2009 Supplement or the July 2009 Supplement in a confirmation) is permitted to deliver such a notice to ISDA pursuant to the Rules.*

"Currency Amount" means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Physical Settlement Amendment Notice with respect to that portion of the relevant Notes into the currency of denomination of the relevant Replacement Deliverable Obligation.

"Currency Rate" means, with respect to (a) a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

"Currency Rate Source" means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

"DC Credit Event Announcement" means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a Credit Event has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) such event occurred on or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time). A DC Credit Event Announcement will be deemed not to have occurred unless (i) the Credit Event Resolution Request Date with respect to such Credit Event occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

"DC Cut-off Date" has the meaning given to that term in Condition 10(g).

"DC No Credit Event Announcement" means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event with respect to such Reference Entity (or an Obligation thereof).

“DC Resolution” has the meaning set out in the Rules.

“Default Requirement” means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified in the applicable Final Terms, USD10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

“Deliver” means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Asset Amount(s) to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of “Credit Event” above or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor) provided that if all or a portion of an Asset Amount consists of Direct Loan Participations, “Deliver” means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, “Deliver” means to Deliver both the Qualifying Guarantee and the Underlying Obligation. “Delivery” and “Delivered” will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time.

“Deliverable Obligation” means, subject as provided in Condition 10(c):

- (a) any obligation of a Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in “(A) Method for Determining Deliverable Obligations” below (but excluding any Excluded Deliverable Obligation specified in the applicable Final Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of “Credit Event” above) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;
- (b) subject to the second paragraph of the definition of “Not Contingent” in “(A) Method for Determining Deliverable Obligations” below, each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Deliverable Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any

counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a)-(d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and

(d) any Additional Deliverable Obligation of a Reference Entity specified as such in the applicable Final Terms.

(A) *Method for Determining Deliverable Obligations.* For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

(1) "Deliverable Obligation Category" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).

(2) "Deliverable Obligation Characteristics" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer where:

(i) "Not Contingent" means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Deliverable Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not

been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (A) and (B) of paragraph (i) above have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

- (ii) “Assignable Loan” means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (iii) “Consent Required Loan” means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;
- (iv) “Direct Loan Participation” means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer or the Guarantor, as the case may be, (to the extent that the Issuer or the Guarantor, as applicable, is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (v) “Transferable” means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
  - (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
  - (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;

- (vi) "Maximum Maturity" means an obligation that has a remaining maturity from the Settlement Date of not greater than the period specified in the applicable Final Terms;
- (vii) "Accelerated or Matured" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (viii) "Not Bearer" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

(B) Interpretation of Provisions.

- (1) If the Obligation Characteristic "Listed" is specified in the applicable Final Terms, the Final Terms shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;
- (2) if (i) either of the Deliverable Obligation Characteristics "Listed" or "Not Bearer" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;
- (3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and



- (4) in the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:
- (i) For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
  - (iii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristic of Not Subordinated, if specified in the applicable Final Terms.
  - (iv) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
  - (v) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
  - (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in these Terms and Conditions, including without limitation, the definitions of "Cash Settlement Amount" and "Quotation Amount" in Condition 10(j)), when used in connection with Qualifying Guarantees are to be interpreted to be the then "Outstanding Principal Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

“Deliverable Obligation Terms” has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

“Delivery Date” means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

“Delivery Expenses” means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the Delivery of the Asset Amount.

“Domestic Currency” means the currency specified as such in the applicable Final Terms and any successor currency. If no currency is specified in the applicable Final Terms, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

“Downstream Affiliate” means an entity, at the date of the event giving rise to the Credit Event which is the subject of the Credit Event Notice, the Delivery Date or the time of identification of a Substitute Reference Obligation (as applicable), whose outstanding Voting Shares are more than 50 per cent. owned, directly or indirectly, by the Reference Entity. “Voting Shares” shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

“Due and Payable Amount” means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation, the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

“Eligible Transferee” means:

- (a) any
  - (i) bank or other financial institution;
  - (ii) insurance or reinsurance company;
  - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and
  - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship),provided, however, in each case that such entity has total assets or at least U.S.\$500 million;
- (b) an Affiliate of an entity specified in the preceding sub-paragraph (a);

- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100 million; or
  - (ii) that has total assets of at least U.S.\$500 million; or
  - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in sub-paragraphs (a), (b), (c)(ii) or (d); or
- (d) a Sovereign, Sovereign Agency or Supranational Organisation;

All references in this definition to U.S.\$ include equivalent amounts in other currencies.

“Enabling Obligation” means an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Scheduled Termination Date and following the Limitation Date immediately preceding the Scheduled Termination Date (or, in circumstances where the Scheduled Termination Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

“Equity Securities” means:

- (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

“Exchangeable Obligation” means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

“Excluded Deliverable Obligation” means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

“Excluded Obligation” means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

“Exercise Cut-off Date” means, with respect to a Credit Event:

- (a) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, such Restructuring has occurred and neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and

Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms), either:

- (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
- (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
- (iii) the date that is 21 calendar days following the No Auction Announcement Date, if any,

as applicable; or

- (b) if such Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and:
  - (i) the relevant Credit Derivatives Determinations Committee has Resolved that Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is five Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules; or
  - (ii) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date, the date that is 21 calendar days following such No Auction Announcement Date.

“Extension Date” means the latest of:

- (a) the Scheduled Termination Date;
- (b) the Grace Period Extension Date if (i) “Grace Period Extension” is specified as applying in the applicable Final Terms, (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Failure to Pay that occurs after the Scheduled Termination Date (determined by reference to the Relevant Time), and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time); and
- (c) the Repudiation/Moratorium Evaluation Date if (i) “Repudiation Moratorium” is specified as a Credit Event in the applicable Final Terms, (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in paragraph (b) of the definition of Repudiation/Moratorium occurs after the Scheduled Termination Date (determined by reference to the Relevant Time), (iii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) and (iv) the Repudiation/Moratorium Extension Condition is satisfied.

“Failure to Pay” means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not

less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

“Fallback Settlement Method” means, with respect to any Notes for which Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms, the fallback settlement method specified in the applicable Final Terms.

“Final Delivery Date” is as defined in Condition 10(i).

“Final List” has the meaning set out in the Rules.

“Final Price” means the price of the relevant Reference Obligation(s), as the case may be, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Final Terms or, where applicable, Condition 10(n). The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Agent and, for so long as the Notes are listed on the Luxembourg Stock Exchange at the office of the Paying Agent in Luxembourg (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

“Full Quotation” means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

“Fully Transferable Obligation” means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of “Fully Transferable Obligation”. For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition of “Fully Transferable Obligation”, such determination shall be made as of the Delivery Date for the relevant Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer or the Guarantor, as the case may be.

“Governmental Authority” means any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

“Grace Period” means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time) and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Termination Date (determined by

reference to the Relevant Time), the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, thirty calendar days; and

- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Termination Date.

“Grace Period Business Day” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

“Grace Period Extension Date” means, if:

- (a) Grace Period Extension is specified as applying in the applicable Final Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time),

the date falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

“Hedge Disruption Event” means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of any transaction entered into by the Issuer and/or any such Affiliate to hedge the obligations or position of the Issuer in respect of the Notes.

“Hedge Disruption Obligation” means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

“Intervening Period” means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Asset Amount.

“ISDA” means the International Swaps and Derivatives Association, Inc.

“Latest Maturity Restructuring Bond or Loan” has the meaning given to that term in the definition of “Restructuring Maturity Limitation Date”.

“Limitation Date” means the first of 20th March, 20th June, 20th September or 20th December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the “2.5-year Limitation Date”), 5 years (the “5-year Limitation Date”), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the “20-year Limitation Date”), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention unless it is specified in the applicable Final Terms that Limitation Dates will be adjusted in accordance with a specified Business Day Convention.

“London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

“Market Value” means, with respect to a Reference Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

“Merger Event” means that at any time during the period from (and including) the Trade Date to (but excluding) the Scheduled Termination Date the Guarantor or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Guarantor, as applicable, or the Guarantor and a Reference Entity become Affiliates.

“Minimum Quotation Amount” means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) USD1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

“Modified Eligible Transferee” means any bank, financial institution or other entity which is regularly engaged in an established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

“Modified Restructuring Maturity Limitation Date” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Termination Date, provided that, in circumstances where the Scheduled Termination Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Where

“Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and the Scheduled Termination Date is later than the 2.5-year Limitation Date and prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Termination Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only.

Subject to the foregoing, in the event that the Scheduled Termination Date is later than (A) the 2.5 year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Termination Date.

“Movement Option” means, where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, and where a No Auction Announcement Date has occurred pursuant to paragraph (b) of the definition of No Auction Announcement Date, the option of the Issuer to apply to the Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could be specified in any Calculation Agent Physical Settlement Notice (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with Condition 17.

“Movement Option Cut-off Date” means the date that is six Relevant City Business Days following the Exercise Cut-off Date.

“Next Currency Fixing Time” means 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than 5 London Business Days immediately preceding the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is effective.

“No Auction Announcement Date” means, with respect to a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of a Restructuring where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms only, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary.

“Notice Delivery Period” means the period from and including the Trade Date to and including the date that is fourteen calendar days after the Extension Date.



“Notice of Physical Settlement” has the meaning given to that term in Condition 10(d).

“Notice of Publicly Available Information” means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applicable in the applicable Final Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 10(r).

“Notice to Exercise Movement Option” means, where (a) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date.

“Obligation” means:

- (a) any obligation of a Reference Entity (either directly, as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in “Method for Determining Obligations” below (but excluding any Excluded Obligation);
- (b) each Reference Obligation specified in the applicable Final Terms, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such in the applicable Final Terms.

Method for Determining Obligations. For the purposes of paragraph (a) of this definition of “Obligation”, the term “Obligation” may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the applicable Final Terms, and having each of the Obligation Characteristics (if any) specified in the applicable Final Terms, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (A) “Obligation Category” means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms, where:

- (1) "Payment" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
  - (2) "Borrowed Money" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (3) "Reference Obligations Only" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
  - (4) "Bond" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
  - (5) "Loan" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
  - (6) "Bond or Loan" means any obligation that is either a Bond or a Loan.
- (B) "Obligation Characteristics" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the applicable Final Terms, where:
- (1) (a) "Not Subordinated" means an obligation that is not Subordinated to (1) the most senior Reference Obligation in priority of payment or, (2) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the Reference Entity provided that, if any of the events set forth under paragraph (a) of the definition of Substitute Reference Obligation has occurred with respect to all of the Reference Obligations or if the final paragraph of the definition of Successor is applicable with respect to the Reference Obligation (each, in each case, a "Prior Reference Obligation") and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, as applicable, "Not Subordinated" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;

- (b) “Subordination” means, with respect to an obligation (the “Subordinated Obligation”) and another obligation of the Reference Entity to which such obligation is being compared (the “Senior Obligation”), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. “Subordinated” will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (2) “Specified Currency” means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is specified in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the applicable Final Terms as the “Standard Specified Currencies”);
- (3) “Not Sovereign Lender” means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as “Paris Club debt”;
- (4) “Not Domestic Currency” means any obligation that is payable in any currency other than the Domestic Currency;
- (5) “Not Domestic Law” means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (6) “Listed” means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (7) “Not Domestic Issuance” means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

“Obligation Acceleration” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

“Obligation Currency” means the currency or currencies in which the Obligation is denominated.

“Obligation Default” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

“Outstanding Principal Balance” means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof; and
- (b) with respect to any other obligation, the outstanding principal balance of such obligation,

Provided That with respect to any Exchangeable Obligation that is not an Accreting Obligation, “Outstanding Principal Balance” shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

“Parallel Auction” means “Auction” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

“Parallel Auction Cancellation Date” means “Auction Cancellation Date” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

“Parallel Auction Final Price Determination Date” means “Auction Final Price Determination Date” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

“Parallel Auction Settlement Date” means “Auction Settlement Date” as such term shall be defined in the relevant Parallel Auction Settlement Terms.

“Parallel Auction Settlement Terms” means, following the occurrence of a Restructuring where either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction.

“Payment Requirement” means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the applicable Final Terms, USD1,000,000, or its equivalent as calculated by the Calculation

Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

“Permissible Deliverable Obligations” has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

“Permitted Currency” means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a local currency long term debt rating of either AAA or higher assigned to it by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody’s Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

“Physical Settlement Amendment Notice” has the meaning given to that term in Condition 10(d).

“Physical Settlement Period” means, subject to Condition 10(k), the number of Business Days specified as such in the applicable Final Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Asset Amount, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

“Potential Credit Event” means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.

“Potential Failure to Pay” means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

“Potential Repudiation/Moratorium” means the occurrence of an event described in paragraph (i) of the definition of Repudiation/Moratorium.

“Public Source” means each source of Publicly Available Information specified as such in the applicable Final Terms (or if a source is not specified in the applicable Final Terms, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

“Publicly Available Information” means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
  - (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer, the Guarantor or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer, the Guarantor or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation;
  - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
  - (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; or
  - (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.
- (b) In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for the Obligation with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to such Obligation.
- (c) In relation to any information of the type described in paragraphs (a) (ii), (iii) and (iv) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.
- (d) Publicly Available Information need not state:
  - (i) in relation to the definition of “Downstream Affiliate”, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
  - (ii) that such occurrence:
    - (A) has met the Payment Requirement or Default Requirement;

- (B) is the result of exceeding any applicable Grace Period; or
- (C) has met the subjective criteria specified in certain Credit Events.

“Qualifying Affiliate Guarantee” means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

“Qualifying Guarantee” means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the “Underlying Obligation”) for which another party is the obligor (the “Underlying Obligor”) and that is not at the time of the Credit Event Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor (with references in the definition of Subordination to the Reference Entity deemed to refer to the Underlying Obligor). Qualifying Guarantees shall exclude any arrangement structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement. The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

“Qualifying Participation Seller” means any participation seller that meets the requirements specified in the applicable Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

“Quotation” means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (b)
  - (i) If “Include Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
  - (ii) if “Exclude Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
  - (iii) if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid

interest. All Quotations shall be obtained in accordance with this specification or determination.

- (c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

“Quotation Amount” means the amount specified as such in the applicable Final Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Final Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

“Quotation Dealer” means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained including each Quotation Dealer specified in the applicable Final Terms. If no Quotation Dealers are specified in the applicable Final Terms, the Calculation Agent shall select the Quotation Dealers. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

“Quotation Method” means the applicable Quotation Method specified in the applicable Final Terms by reference to one of the following terms:

- (a) “Bid” means that only bid quotations shall be requested from Quotation Dealers;
- (b) “Offer” means that only offer quotations shall be requested from Quotation Dealers; or
- (c) “Mid-market” means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer’s quotation.

If a Quotation Method is not specified in the applicable Final Terms, Bid shall apply.

“Reference Entity” means the entity or entities specified as such in the applicable Final Terms. Any Successor to a Reference Entity either (a) identified pursuant to the definition of “Successor” in this Condition 10(m) on or following the Trade Date or (b) in respect of which ISDA publicly announces on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules shall, in each case, be the Reference Entity for the purposes of the relevant Series.

“Reference Obligation” means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described) and any Substitute Reference Obligation.

“Reference Transaction” means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms and the Reference Obligation are (i) the same as in respect of the Notes (if such Deliverable Obligation Terms and Reference Obligation are specified in the applicable Final Terms) or (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable



Obligation Terms and Reference Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;

- (b) with a scheduled termination date matching the Scheduled Termination Date of the Notes; and
- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer's hedging arrangements and/or any credit derivative elections made in relation to the Notes.

"Relevant City Business Day" has the meaning set out in the Rules.

"Relevant Obligations" means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

"Relevant Time" means Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement) Tokyo time.

"Replaced Deliverable Obligation Outstanding Amount" has the meaning given to that term in Condition 10(d).

"Replacement Deliverable Obligation" has the meaning given to that term in Condition 10(d).

"Representative Amount" means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

"Repudiation/Moratorium" means the occurrence of both of the following events:

- (i) an authorised officer of a Reference Entity or a Governmental Authority:
  - (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
  - (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (ii) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

"Repudiation/Moratorium Evaluation Date" means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Termination Date (determined by reference to the Relevant

Time) (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Termination Date unless the Repudiation/Moratorium Extension Condition is satisfied.

“Repudiation/Moratorium Extension Condition” will be satisfied:

- (i) if ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Termination Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time); or
- (ii) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available is specified as applicable in the applicable Final Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen calendar days after the Scheduled Termination Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Termination Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Termination Date (determined by reference to the Relevant Time).

*As at the date hereof, the Rules provide that each “Eligible Market Participant” (being each party which is a party to a credit derivatives transaction that have, or are deemed to have incorporated the March 2009 Supplement or the July 2009 Supplement in a confirmation) is permitted to deliver such a notice to ISDA pursuant to the Rules.*

“Repudiation/Moratorium Extension Notice” means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or after the Trade Date and on or prior to the Scheduled Termination Date (determined by reference to the Relevant Time). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

“Resolve” has the meaning set out in the Rules, and “Resolved” and “Resolves” shall be interpreted accordingly.

“Restructured Bond or Loan” means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

“Restructuring” means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all the holders of the Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date applicable to the relevant Notes and (ii) the date as of which such Obligation is issued or incurred:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (iii) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;
- (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (a) the payment in euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (b) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (c) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Condition 10(o), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying

Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

“Restructuring Date” means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

“Restructuring Maturity Limitation Date” means with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Termination Date, provided that, in circumstances where the Scheduled Termination Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a “Latest Maturity Restructured Bond or Loan”) and the Scheduled Termination Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Termination Date is later than (i)(A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (ii) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Termination Date.

“Revised Currency Rate” means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

“Rules” has the meaning given to that term in the definition of “Credit Derivatives Determinations Committee” above.

“Settlement Currency” means the currency specified as such in the applicable Final Terms, or if no currency is specified in the applicable Final Terms, the Specified Currency of the Notes.

“Settlement Date” means the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the “Scheduled Settlement Date”) provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Settlement Date, the Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling 60 Business Days following the Scheduled Settlement Date.

“Settlement Method” means, if (a) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms, Auction Settlement, (b) Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms, Cash Settlement, or (c) Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms, Physical Delivery.

“Sovereign” means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including without limiting the foregoing, the central bank) thereof.

“Sovereign Agency” means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

“Sovereign Restructured Deliverable Obligation” means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to paragraph (3) of “(B) Interpretation of Provisions” in the definition of “Deliverable Obligation”, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

“Specified Number” means the number of Public Source(s) specified in the applicable Final Terms, or if no number is specified in the applicable Final Terms, two.

“Substitute Reference Obligation” means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations in respect of such Reference Entity, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that:
  - (i) a Reference Obligation in respect of such Reference Entity is redeemed in whole; or
  - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation in respect of such Reference Entity have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation in respect of such Reference Entity is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation in respect of a Reference Entity is no longer an obligation of such Reference Entity,

the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation in respect of a Reference Entity.

- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date), (ii) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (iii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms,

as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.

- (c) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all such Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each such Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If:
  - (i) more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of such Reference Obligations; or
  - (ii) only one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation,

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the Extension Date. If (A) either (i) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (ii) either Auction Settlement or Physical Delivery is specified as the Settlement Method in the applicable Final Terms (or, in the case of Physical Delivery, is applicable pursuant to the Fallback Settlement Method) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to the Relevant Time), a Substitute Reference Obligation has not been identified, the obligations of the Issuer under the Notes shall cease as of the end of the day on the Extension Date (determined by reference to the Relevant Time).

- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

“Succession Event” means (i) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, de-merger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (ii) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, “Succession Event” shall not include an event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to the Relevant Time) applicable to the relevant Series.

“Succession Event Backstop Date” means:

- (i) for purposes of any event that constitutes a Succession Event, as determined by DC Resolution, the date that is 90 calendar days prior to the Succession Event Resolution Request Date (determined by reference to the Relevant Time); or
- (ii) otherwise, the date that is 90 calendar days prior to the earlier of:
  - (A) the date on which the Succession Event Notice is effective; and
  - (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless specified in the applicable Final Terms that the Succession Event Backstop Date will be adjusted in accordance with a specified Business Day Convention.

“Succession Event Notice” means a notice from the Calculation Agent to the Issuer that describes a Succession Event that occurred on or after the Succession Event Backstop Date (determined by reference to the Relevant Time).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, of (i) whether a Succession Event has occurred and (ii) if relevant, the identity of any Successor(s).

“Succession Event Resolution Request Date” means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event for purposes of a Series has occurred with respect to the relevant Reference Entity; and

- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (A) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (B) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

*As at the date hereof, the Rules provide that each "Eligible Market Participant" (being each party which is a party to a credit derivatives transaction that have, or are deemed to have incorporated the March 2009 Supplement or the July 2009 Supplement in a confirmation) is permitted to deliver such a notice to ISDA pursuant to the Rules.*

"Successor" means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
- (i) if one entity directly or indirectly succeeds to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;
  - (iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Terms and Conditions and/or the applicable Final Terms will be adjusted as provided below;
  - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and
  - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the



Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and

- (b) in relation to a Sovereign Reference Entity, each entity which becomes a direct or indirect successor to such Reference Entity by way of a Succession Event irrespective of whether any such successor assume(s) any of the obligations of such Reference Entity.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the occurrence of the relevant Succession Event), and with effect from the legally effective date of the occurrence of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make any such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in (a) above and paragraphs (a) and (b)(A) of the definition of Succession Event Resolution Request Date (in the case of a Reference Entity that is not a Sovereign) or (b) above and paragraphs (a) and (b)(B) of the definition of Succession Event Resolution Request Date (in the case of a Sovereign Reference Entity) are satisfied in accordance with the Rules (until such time (if any) that ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the specified office of the Agent and, for so long as the Notes are listed on the Luxembourg Stock Exchange, at the office of the Paying Agent in Luxembourg.

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Terms and Conditions and/or the applicable Final Terms as it shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of these Terms and Conditions and/or the applicable Final Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Notes under the provisions of the 2003 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 17, stating the adjustment to these Terms and Conditions and/or the applicable Final Terms and giving brief details of the relevant Succession Event.

For the purposes of this definition of “Successor”, “succeed” means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to paragraph (a) of this definition of “Successor” shall be made, in the case of an exchange offer, on the basis of the Outstanding Principal Balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the Outstanding Principal Balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (A) a Reference Obligation is specified in the applicable Final Terms; and
  - (B) one or more Successors to the Reference Entity have been identified; and
  - (C) any one or more such Successors have not assumed the Reference Obligation,
- a Substitute Reference Obligation will be determined in accordance with the definition of “Substitute Reference Obligation” above.

“Supranational Organisation” means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns, and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

“Trade Date” means the date specified as such in the applicable Final Terms.

“Transaction Auction Settlement Terms” means, with respect to a Credit Event, the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, *inter alia*, definitions of “Auction”, “Auction Cancellation Date”, “Auction Covered Transaction” and “Auction Final Price Determination Date” in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in this Condition 10 principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Notes.

“Undeliverable Obligation” means a Deliverable Obligation included in the Asset Amount which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any

requisite consents with respect to the Delivery of Loans) it is impossible or illegal to Deliver on the Settlement Date.

“Unwind Costs” means the amount specified in the applicable Final Terms or if “Standard Unwind Costs” are specified in the applicable Final Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, fees, charges, expenses (including loss of funding), tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any hedge or related trading position, such amount to be apportioned *pro rata* amongst each nominal amount of Notes equal to the Calculation Amount.

“Valuation Date” means (a) where Physical Delivery is specified as applying in the applicable Final Terms the day falling three Business Days after the Final Delivery Date (as such term is defined in the Condition 10(i)), or (b) where Cash Settlement is specified as applying in the applicable Final Terms, if “Single Valuation Date” is specified in the applicable Final Terms, the date that is the number of Business Days specified in the Final Terms after the satisfaction of all Conditions to Settlement or, if the number of Business Days is not so specified, five Business Days after the satisfaction of all Conditions to Settlement (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Method, the date that is the number of Business Days specified in the applicable Final Terms or, if the number of Business Days is not so specified, five Business Days after the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), and if “Multiple Valuation Dates” is specified in the applicable Final Terms, each of the following dates:

- (i) subject to Condition 10(k), the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the satisfaction of all Conditions to Settlement (or if Cash Settlement is the applicable Fallback Settlement Method, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- (ii) each successive date that is the number of Business Days specified in the applicable Final Terms or, if the number of Business Days is not so specified, five Business Days after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When “Multiple Valuation Dates” is specified in the applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the applicable Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the applicable Final Terms, Single Valuation Date shall apply.

“Valuation Method”:

- (a) The following Valuation Methods may be specified in the applicable Final Terms with only one Reference Obligation and only one Valuation Date:
  - (i) “Market” means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) “Highest” means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Highest.

- (b) The following Valuation Methods may be specified in the applicable Final Terms with only one Reference Obligation and more than one Valuation Date:
  - (i) “Average Market” means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
  - (ii) “Highest” means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
  - (iii) “Average Highest” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Highest.

- (c) The following Valuation Methods may be specified in the applicable Final Terms with more than one Reference Obligation and only one Valuation Date:
  - (i) “Blended Market” means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) “Blended Highest” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Blended Highest.

- (d) The following Valuation Methods may be specified in the applicable Final Terms with more than one Reference Obligation and more than one Valuation Date:
  - (i) “Average Blended Market” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or
  - (ii) “Average Blended Highest” means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

“Valuation Time” means the time specified as such in the applicable Final Terms or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

“Weighted Average Quotation” means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount (but, if a Minimum Quotation Amount is specified in the applicable Final Terms, of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

(n) *Credit Event Notice after Restructuring Credit Event*

If Condition 10(n) is specified as applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of a Restructuring with respect to a Series for which either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms:

- (i) the Calculation Agent may deliver multiple Credit Event Notices in respect of such Restructuring, each such Credit Event Notice setting forth an amount (the “Partial Redemption Amount”) that may be less than the nominal amount outstanding of each Note immediately prior to the delivery of such Credit Event Notice. In such circumstances the provisions of Condition 10 shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (ii) For the avoidance of doubt (A) the nominal amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the nominal amount outstanding of such Note as provided in Condition 3 (adjusted in such manner as the Calculation Agent determines to be appropriate), (B) the provisions of Condition 10 shall apply to such nominal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event, (C) once a Credit Event Notice with respect to a Restructuring Credit Event has been delivered in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the Restructuring Credit Event and (D) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable to Noteholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to these Terms and Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Condition 10(n) and (y) the effective date of such adjustment(s).
- (c) If the provisions of this Condition 10(n) apply in respect of the Notes, on redemption of part of each such Note the relevant Note or, if the Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.

(o) *Provisions relating to Multiple Holder Obligation*

If Condition 10(o) is specified as applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the

occurrence of, agreement to, or announcement of, any of the events described in subparagraphs (i) to (v) of the definition of “Restructuring” shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

“Multiple Holder Obligation” means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event.

- (p) *Provisions taken from the ISDA supplement titled “Additional Provisions – Monoline Insurer as Reference Entity (May 2003)”*

If Condition 10(p) is specified as applicable in the applicable Final Terms, the following provisions will apply:

- (a) **Obligation and Deliverable Obligation.** Paragraph (a) of the definition of “Obligation” in Condition 10(m) and paragraph (a) of the definition of “Deliverable Obligation” in Condition 10(m) are hereby amended by adding “or Qualifying Policy” after as provider of a Qualifying Affiliate Guarantee”.
- (b) **Interpretation of Provisions.** In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, paragraph (B) of the definition of “Deliverable Obligation” in Condition 10(m) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
  - (i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in this Condition 10 in respect of such an Insured Instrument shall be construed accordingly;
  - (ii) references in the definitions of Assignable Loan and Consent Required Loan to “the guarantor” and “guaranteeing” shall be deemed to include “the insurer” and “insuring”, respectively;
  - (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
  - (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
  - (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “Outstanding Principal Balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in

the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

- (c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 10(p) is applicable, no inference should be made as to the interpretation of the “Not Contingent” Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies.
- (d) Deliver. For the purposes of the definition of “Deliver” in Condition 10(m), “Deliver” with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.
- (e) Provisions for Determining a Successor. The paragraph commencing “For the purposes of this definition of “Successor”...” in the definition of “Successor” in Condition 10(m) is hereby amended by adding “or insurer” after “or guarantor”.
- (f) Substitute Reference Obligation. The first paragraph of the definition of “Substitute Reference Obligation” and paragraph (b) thereof in Condition 10(m) is hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”. For purposes of sub-paragraph (a)(ii)(B) the definition of “Substitute Reference Obligation” references to “the Qualifying Guarantee” and the “Underlying Obligation” shall be deemed to include “the Qualifying Policy” and “the Insured Instrument”, respectively.
- (g) Other Provisions. For purposes of paragraph (a)(ii) of the definition of “Deliverable Obligation” and the definitions of “Credit Event” and “Deliver” in Condition 10(m) references to “the Underlying Obligation” and “the Underlying Obligor” shall be deemed to include “Insured Instruments” and the “Insured Obligor”, respectively.
- (h) Additional Definitions.

“Qualifying Policy” means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 10(m)) (the “Insured Instrument”) for which another party (including a special purpose entity or trust) is the obligor (the “Insured Obligor”). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or

circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

“Instrument Payments” means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 10(n)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

“Certificate Balance” means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

(q) *Supplement to provisions relating to Qualifying Guarantee and Underlying Obligation*

(a) If Condition 10(q) is specified as applicable in the applicable Final Terms, Condition 10(m) shall be amended by:

(i) the deletion of the definition of “Downstream Affiliate” and the substitution of the following therefor:

“Downstream Affiliate” means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity.”;

(ii) the deletion of paragraphs (B)(4)(ii) and (B)(4)(iii) of the definition of “Deliverable Obligation”, the substitution of the following therefor and the re-numbering of the remaining paragraphs accordingly:

“(ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.”; and

(iii) the deletion of the definition of “Qualifying Guarantee” and the substitution of the following therefor:

“Qualifying Guarantee” means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the



“Underlying Obligation”) for which another party is the obligor (the “Underlying Obligor”). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.”; and

- (b) Condition 10(o) shall be amended by the insertion of the following at the end of the first paragraph thereof:

“provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in (ii) of the definition of “Multiple Holder Obligation” below”.

- (r) *Calculation Agent Notices*

Any notice to be delivered by the Calculation Agent to the Issuer or the Guarantor, as applicable, pursuant to this Condition 10 may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice delivered on or prior to 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. Any such notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

## **11. Taxation**

- (a) *Tax Cross-Up*

If Condition 11(a) is specified as applicable in the applicable Final Terms, all payments of principal and/or interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other charges of whatever nature imposed or levied by or on behalf of, in the case of payments by the Issuer, The Netherlands or, in the case of payments by the Guarantor, Belgium or, in either case, any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes, duties, assessments or other charges in respect of such Note,

Receipt or Coupon by reason of his having some connection with The Netherlands (in case of payments by the Issuer), or Belgium (in case of payments by the Guarantor) other than the mere holding of such Note, Receipt or Coupon; or

- (ii) presented for payment in Belgium or through an intermediary in Belgium; or
- (iii) presented for payment in The Netherlands or through an intermediary in The Netherlands; or
- (iv) presented for payment by, or on behalf of, a Noteholder who would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so; or
- (v) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (vi) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (vii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 17.

*(b) No Tax Gross-Up*

If Condition 11(b) is specified as applicable in the applicable Final Terms, neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer or, as the case may be, the Guarantor shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

**12. Prescription**

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 11(a)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b).

### 13. Events of Default

- (A) This Condition 13(A) applies only to Senior Guaranteed Notes and references to “Notes” and “Note” in this Condition 13(A) shall be construed accordingly.

If any of the following events (each an “Event of Default”) should occur, the holder of this Note may, upon written notice of acceleration to the Agent, cause such Note to become due and payable at the Early Redemption Amount (as described in Condition 5(e)), together with accrued interest thereon to the date of repayment, as of the date on which said notice of acceleration is received by the Agent, unless prior to such date the Issuer or the Guarantor, as the case may be, shall have cured or otherwise made good such Event of Default in respect of the Notes:

- (i) default by the Issuer in the payment when due of the principal of or interest on any of the Notes or the delivery when due of the Asset Amount in respect of any Note or the delivery when due of any other amount in respect of any Note and the continuance of any such default for a period of 30 days after the due date; or
  - (ii) the Issuer shall fail duly to perform or observe any other term, covenant or agreement contained in the Notes or the Guarantor shall fail to perform or observe any other term, covenant or agreement contained in the Guarantee relating to the Notes, in either case for a period of 90 days after the date on which written notice of such failure, requiring the Issuer or the Guarantor, as the case may be, to remedy the same, shall first have been given to the Agent by the holder of any Note at the time outstanding; or
  - (iii) an order is made or an effective resolution passed for winding up the Issuer or the Guarantor except for the purpose of a reconstruction or amalgamation and the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the Notes) or the Guarantor (including its obligations under the Guarantee); or
  - (iv) the Issuer or the Guarantor shall be unable to pay its debts or becomes insolvent or bankrupt or the Guarantor applies for a “*gerechtelijk akkoord*” or “*faillissement*” or any similar procedure shall be initiated in respect of the Issuer or the Guarantor unless it is being contested in good faith by the Issuer or the Guarantor, as the case may be; or
  - (v) a distress, execution or other process is levied or enforced upon or sued out against all or any material part of the property of the Issuer or the Guarantor unless it is removed, discharged or paid out within 60 days or is being contested in good faith by the Issuer or the Guarantor, as the case may be.
- (B) This Condition 13(B) applies only to Dated Subordinated Guaranteed Notes and in this Condition 13(B) references to “Notes” and “Note” shall be construed accordingly.

The holder of any Note may, upon written notice being given to the Agent if any of the following events should occur and be continuing, cause such Note to become due and payable at the Early Redemption Amount (as described in Condition 5(e)), together with accrued interest thereon to the date of repayment, as of the date on which said notice of acceleration is received by the Agent.

The dissolution or liquidation of the Issuer or the Guarantor in whatever manner (in the case of the Guarantor, including, without limiting the generality of the foregoing, bankruptcy “*faillissement/faillite*”, moratorium “*gerechtelijk akkoord/concordat judiciaire*” and judicial or voluntary liquidation “*liquidation volontaire ou forcée/vrijwillige of gedwongen vereffening*”,

under the laws of Belgium and, in the case of the Issuer, including, without limiting the generality of the foregoing, bankruptcy, moratorium and judicial or voluntary liquidation).

#### **14. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the

Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **15. Agent, Paying Agents and Calculation Agent Provisions**

##### *(a) Agent and Paying Agent*

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (ii) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated;
- (iii) there will at all times be an Agent; and
- (iv) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, save to the extent that such requirement is met by virtue of (ii) above.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 4(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 17.

##### *(b) Calculation Agent Provisions*

Whenever the Calculation Agent is required to act or exercise judgement, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to these Terms and Conditions, notify the Issuer, the Guarantor and the Noteholders of such determination. The Calculation Agent is not

acting as a fiduciary for or as an advisor to the Noteholders in respect of its duties as Calculation Agent in connection with any Notes.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to these Terms and Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Noteholders. In performing its duties pursuant to the Notes, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent, the Issuer and the Guarantor shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

## **16. Exchange of Talons**

On and after the Interest Period End Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 12.

## **17. Notices**

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii), if and for so long as the Notes are listed on the Luxembourg Stock Exchange, either in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu), or (ii), in the case of Notes not listed on a stock exchange, in a daily newspaper of general circulation in such place or places as the Issuer may deem appropriate. It is expected that such publication will be made (i) in the *Financial Times* in London and (ii) either in the *Luxemburger Wort* or the *Tageblatt* in Luxembourg or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or other relevant authority) on which the Notes are for the time being admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in accordance with the above provisions.

Until such time as definitive Notes are issued, there may, so long as any Global Note(s) representing the Note(s) is or are held in its/ their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange or any other applicable regulations so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or in such other manner as may be permitted by those rules. In the case of Notes listed on the Luxembourg Stock Exchange, it is expected that such publication will be made either in the *Luxemburger Wort* or the *Tageblatt* in Luxembourg

or on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **18. Meetings of Noteholders, Modification and Waiver**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Guarantee, the Deed of Covenant or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting, will be one or more persons holding or representing a majority in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting, one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except such modifications in respect of which an increased quorum is required, as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee or the Deed of Covenant which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 17 as soon as practicable thereafter.

## **19. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **20. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **21. Governing Law and Submission to Jurisdiction**

- (a) The Agency Agreement, the Notes (except Condition 2(a)(iii) and 2(b)(iii)), the Guarantee (except Clause 7), the Receipts and the Coupons (and, in each case, any non-contractual obligations arising therefrom or in connection therewith) shall be governed by, and construed in accordance with, English law. Conditions 2(a)(iii) and 2(b)(iii) of the Notes, Clause 7 of the Guarantee and any non-contractual obligations arising therefrom or in connection therewith shall be governed by, and construed in accordance with, Belgian law.
- (b) The Issuer agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons (including, in each case, any dispute relating to any non-contractual obligations arising therefrom or in connection therewith) and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons (including, in each case, any Proceedings relating to any non-contractual obligation arising therefrom or in connection therewith) may be brought in such courts. The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer appoints the Guarantor at its London branch at 111 Old Broad Street, London EC2N 1BR as its agent for service of process, and undertakes that, in the event of the Guarantor ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer to assist the financing of the activities of the Guarantor or its affiliates to the extent permitted by applicable law. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.



## FORM OF THE GUARANTEE

THIS DEED OF GUARANTEE is made on 18th September, 2008 by KBC Bank NV (the "Guarantor") in favour of (1) the Relevant Account Holders (as defined in the Deed of Covenant referred to below), (2) the holders for the time being of the Notes (as defined below) and the interest coupons (if any) appertaining to the Notes ("Coupons", such expression to include any talons for further Coupons issued in respect of any Notes), the Coupons being attached on issue to Definitive Note(s) (as defined below) and (3) the Accountholders (as defined in Clause 2(B) below). Each Relevant Account Holder, each holder of a Note and each holder of a Coupon is a "Holder".

WHEREAS:-

- (A) KBC Internationale Financieringsmaatschappij N.V. (the "Issuer") and the Guarantor have entered into an amended and restated Programme Agreement (the "Programme Agreement", which expression includes the same as it may be amended, supplemented or restated from time to time) dated 18th September, 2008 with the Dealers named therein under which the Issuer proposes from time to time to issue Notes (the "Notes", such expression to include each Definitive Note issued by the Issuer and each Global Note issued by the Issuer whether they be Senior Guaranteed Notes or Dated Subordinated Guaranteed Notes and to include any receipts issued in respect of Notes repayable in instalments).
- (B) This Deed of Guarantee will apply to all Notes issued pursuant to the Programme on or after the date hereof, other than any Notes issued so as to be consolidated and form a single Series with any Notes issued prior to the date hereof.
- (C) The Issuer has executed a Deed of Covenant on 18th September, 2008 (the "Deed of Covenant", which expression includes the same as it may be amended, supplemented or restated from time to time) relating to Global Notes issued by the Issuer pursuant to the Programme Agreement.
- (D) The Issuer and the Guarantor have entered into an amended and restated Agency Agreement (the "Agency Agreement", which expression includes the same as it may be amended, supplemented or restated from time to time) dated 18th September, 2008 with KBL European Private Bankers S.A. (the "Agent") and the other agents named therein.
- (E) Terms defined in the Conditions of the Notes (the "Conditions"), the Programme Agreement, the Agency Agreement and/or the Deed of Covenant and not otherwise defined in this Deed of Guarantee shall have the same meanings when used in this Deed of Guarantee.

NOW THIS DEED WITNESSES as follows:

### 1. FINAL TERMS

The Final Terms for each Tranche of Notes will state whether such Notes are Senior Guaranteed Notes or Dated Subordinated Guaranteed Notes and the Final Terms for such Tranche will be conclusive evidence as to whether such Notes are Senior Guaranteed Notes or Dated Subordinated Guaranteed Notes.

The provisions of this Guarantee apply to all Notes whether they be Senior Guaranteed Notes or Dated Subordinated Guaranteed Notes except where expressly provided otherwise.

## 2. GUARANTEE

- (A) Subject as set out in Clause 7, the Guarantor hereby unconditionally and irrevocably guarantees by way of deed poll to each Holder (i) all sums payable by the Issuer to such Holder or (ii) performance of any delivery obligation owed by the Issuer to such Holder, in each case in respect of any Senior Guaranteed Note or Dated Subordinated Guaranteed Note or any Coupon relating thereto or under the Deed of Covenant in respect thereof, as the case may be, (including any premium or any other amounts of whatever nature or additional amounts which may become payable under any of the foregoing) when and as the same shall become due and payable in accordance with the terms thereof. In case of the failure of the Issuer punctually (x) in the case of (i) above, to make any such payment, the Guarantor hereby undertakes to cause such payment to be made punctually when and as the same shall become due and payable and (y) in the case of (ii) above, to perform or procure the performance of any delivery obligation, the Guarantor hereby undertakes to cause such performance or the procurement of such performance to occur punctually when and as the same shall become due to be performed, in each case whether at maturity, upon redemption by acceleration of maturity or otherwise, as if such payment or delivery, as the case may be, were made or performed by the Issuer in accordance with the terms thereof. The Guarantor hereby waives any requirement that any Holder, in the event of any default of such payment or delivery as the case may be by the Issuer, first makes demand upon or seeks to enforce remedies against the Issuer before seeking to enforce this Guarantee; agrees that its obligations under this Guarantee shall be unconditional and irrevocable irrespective of the validity, regularity or enforceability of such Notes or of such Coupons or of the Deed of Covenant in respect thereof, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions thereof, the recovery of any judgment against the Issuer or any action to enforce the same, any consolidation, merger, conveyance or transfer by the Issuer or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor; and covenants that this Guarantee will not be discharged except by complete performance of the obligations contained in such Notes, such Coupons, the Deed of Covenant and this Guarantee.
- (B) For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (each an “Accountholder”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Guarantor as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Guarantor as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Agent.

The Guarantor covenants in favour of each Accountholder that it will (i) make all payments (if any) under this Guarantee in respect of the principal amount of Notes for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as being held by the Accountholder and represented by a Global Note to the holder of the Global Note and (ii)

perform or procure the performance of all delivery obligations (if any) in accordance with the Conditions, in each case, in accordance with the terms of this Guarantee and acknowledges that each Accountholder may take proceedings to enforce this covenant and any of the other rights which it has under this Guarantee directly against the Guarantor.

### **3. THE GUARANTOR AS PRINCIPAL DEBTOR**

Without affecting the Issuer's obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal debtor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal debtor (including (a) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (b) any amendment to any Note, any Coupon or the Deed of Covenant or to any security or other guarantee or indemnity, (c) the making or absence of any demand on the Issuer or any other person for payment, (d) the enforcement or absence of enforcement of any Note, any Coupon, the Deed of Covenant or of any security or other guarantee or indemnity, (e) the release of any such security, guarantee or indemnity, (f) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (g) the illegality, invalidity or unenforceability of or any defect in any provision of any Note, any Coupon or the Deed of Covenant or any of the Issuer's obligations under any of them).

### **4. THE GUARANTOR'S OBLIGATIONS CONTINUING**

The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable or delivery obligation in respect of any Note, any Coupon or the Deed of Covenant remains owing. Furthermore, these obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of a Holder, whether from the Guarantor or otherwise. The Guarantor irrevocably waives all notices and demands whatsoever.

### **5. REPAYMENT TO THE ISSUER**

If any payment or other consideration received by a Holder is, on the subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment or other consideration will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment or other consideration had at all times remained owing by the Issuer.

### **6. INDEMNITY**

As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum expressed to be payable or delivery obligation expressed to be owed by the Issuer under any Note, any Coupon or the Deed of Covenant but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Holder) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Holder or otherwise delivered by it on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent cause of action and will apply irrespective of any indulgence granted by any Holder.

## 7. STATUS OF GUARANTEE

### (A) *Senior Guaranteed Notes*

The obligations of the Guarantor under this Guarantee in respect of Senior Guaranteed Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Guarantor (including those arising under deposits received in its banking business), without any preference among themselves and *pari passu* without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

### (B) *Dated Subordinated Guaranteed Notes*

The obligations of the Guarantor under this Guarantee in respect of Dated Subordinated Guaranteed Notes constitute direct, unconditional and unsecured obligations of the Guarantor and, in the event of dissolution or liquidation (meaning any event creating a “*samenloop van schuldeisers/concours de créanciers*”, including, without limiting the generality of the foregoing, bankruptcy (“*faillissement/faillite*”), moratorium (“*gerechtelijk akkoord/concordat judiciaire*”) and judicial or voluntary liquidation (“*liquidation volontaire ou forcée/vrijwillige gedwongen vereffening*”), under the laws of Belgium) of the Guarantor, the rights of the Holders in respect of any Dated Subordinated Guaranteed Notes or any Coupons relating thereto or under the Deed of Covenant in respect thereof shall be subordinated in right of payment to the claims of depositors and other unsecured creditors of the Guarantor (other than creditors in respect of indebtedness which is subordinated to at least the same extent as the obligations of the Guarantor in respect of Dated Subordinated Guaranteed Notes).

## 8. WITHHOLDING OR DEDUCTION

If Condition 11(a) is specified as applicable in the applicable Final Terms, all payments by the Guarantor under this Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other charges of whatever nature imposed or levied by or on behalf of Belgium, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the relevant Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Coupon or Underlying Note (as defined in the Deed of Covenant):

- (i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other charges in respect of such Note, Coupon or Underlying Note by reason of his having some connection with Belgium other than the mere holding of such Note, Coupon or Underlying Note; or
- (ii) to, or to a third party on behalf of, a Holder who would be able to avoid such withholding or deduction by making a declaration of non-residence or similar claim for exemption but fails to do so; or

- (iii) if demand for payment is made more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) to, or to a third party on behalf of, a Relevant Account Holder who would have been able to avoid such withholding or deduction by presenting the Underlying Note to another Paying Agent in a Member State of the European Union.

## **9. POWER TO EXECUTE**

The Guarantor hereby warrants, represents and covenants with each Holder and Accountholder that it has all power, that it has obtained all necessary governmental consents and authorisations, and that it has taken all necessary steps, in each case to enable it to execute, deliver and perform this Guarantee and that this Guarantee constitutes legal, valid and binding obligations of the Guarantor in accordance with its terms.

## **10. DEPOSIT OF GUARANTEE**

This Guarantee shall take effect as a Deed Poll for the benefit of the Holders and Accountholders from time to time and for the time being. This Guarantee shall be deposited with and held by KBL European Private Bankers S.A. as Agent until all the obligations of the Guarantor have been discharged in full.

## **11. PRODUCTION OF GUARANTEE**

The Guarantor hereby acknowledges the right of every Holder and Accountholder to the production of, and the right of every Holder and Accountholder to obtain (upon payment of a reasonable charge) a copy of, this Guarantee, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Holder and Accountholder, and that each Holder and Accountholder shall be entitled severally to enforce the said obligations against the Guarantor.

## **12. SUBROGATION**

Until all amounts which may be payable under the Notes, the Coupons and/or the Deed of Covenant have been irrevocably paid in full and all delivery obligations of the Issuer thereunder have been performed in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Holder or claim in competition with the Holders against the Issuer.

## **13. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Guarantee, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

#### 14. GOVERNING LAW AND JURISDICTION

- (i) This Guarantee (and any non-contractual obligations arising out of or in connection with this Guarantee), except Clause 7, shall be governed by, and construed in accordance with, English law. Clause 7 of this Guarantee (and any non-contractual obligations arising out of or in connection with Clause 7 of this Guarantee) shall be governed by, and construed in accordance with, Belgian law.
- (ii) The Guarantor agrees, for the exclusive benefit of the Holders and the Accountholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee (including any dispute relating to any non-contractual obligations arising out of or in connection with this Guarantee) and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with this Guarantee (including any Proceedings relating to any non-contractual obligation arising out of or in connection with this Guarantee) may be brought in such courts. The Guarantor hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Clause shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Guarantor undertakes that, in the event of it ceasing so to act or ceasing to be registered in England, it will appoint a person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

IN WITNESS whereof this Guarantee has been manually executed as a deed poll on behalf of the Guarantor.

Executed as a deed by  
KBC Bank NV  
acting by  
acting under the  
authority of that company  
in the presence of:

Witness's Signature:

Name:

Address:

Dated 18th September, 2008

## DESCRIPTION OF THE ISSUER

### **KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.**

KBC Internationale Financieringsmaatschappij N.V. (the “Issuer” or “KBC IFIMA N.V.”), a wholly owned subsidiary of the Guarantor, was incorporated in The Netherlands on 15th April, 1982 under number 33.168.630 for an indefinite duration in the form of a limited liability company. The registered office of the Issuer is at Watermanweg 92, 3067 GG Rotterdam, The Netherlands and its telephone number is +31 (0)10 4367146. The principal activity of the Issuer is to assist in the financing of the activities of companies belonging to the Group (as defined on page 7) by raising debt to be on-lent to the Guarantor and the other members of the Group. The Issuer is accordingly dependent on the Guarantor and other members of the Group servicing those loans. Other than the foregoing activities and the issuance of securities under the Issuer’s U.S. \$10,000,000,000 Global Structured Note Programme established on 13th April, 2010, the Issuer has not engaged, since its incorporation, in any material activities other than those relating to the described issue of securities and the authorisation of documents and agreements related thereof to which it is, or will be, a party.

### ***Management***

The Issuer is managed by a Management Board, which is supervised by a Supervisory Board. The members of the Management Board and the members of the Supervisory Board may be appointed by the General Meeting of Shareholders.

**Management Board**

<i>Name</i>	<i>Business address</i>	<i>Position</i>	<i>Principal activities outside KBC IFIMA N.V.</i>
J.G.Heffernan	KBC IFIMA N.V. Watermanweg 92 3067 GG Rotterdam The Netherlands	Company Director	None
T.A.J.T. van Craen	KBC IFIMA N.V. Watermanweg 92 3067 GG Rotterdam The Netherlands	Company Director	General Manager, KBC Bank Netherlands

**Supervisory Board**

P.T.M. Roppe	KBC IFIMA N.V. Watermanweg 92 3067 GG Rotterdam The Netherlands	Supervisory Director	Non-executive Director of KBC Credit Investments NV and Gearlon plc
L. Gijssens	KBC IFIMA N.V. Watermanweg 92 3067 GG Rotterdam The Netherlands	Supervisory Director	Non-executive Director/ shareholder of: ADD NV, Limburgse Autorijschool BVBA, KBC Bank (Singapore) Limited, KBC Bank Deutschland AG, KBC Bank Nederland NV, IIB Finance Ireland, Brussels North Distribution NV, Immo-Zénobe Gramme NV, KBC Bank Ireland Plc, KBC Dublin Capital Plc, Covent Garden Real Estate, FM-A Invest NV, Immo Kolonel Bourgstraat NV, Wetenschap Real Estate, Immo-Antares NV, Apitri NV, Immo Lux-Airport SA, Immo-Marcel Thiry NV, Immo-North Plaza NV (in liquidation), Immo- Pléjaden NV, Immo- Regentschap NV, Real Estate Participation NV, KBC Finance Ireland, KBC Vastgoedinvesterings NV, Prague Real Estate NV, Vastgoed Ruimte Noord NV, Luxembourg North Distribution SA, Luxembourg Offices Securitisations SA, Mechelen City Center NV, KBC Real Estate NV, KBC Vastgoedportefeuille België NV, Antwerpse Diamantbank NV



There are no potential conflicts of interest between the duties to KBC IFIMA N.V. of the Members of the Management Board or the Supervisory Board respectively and their private interests or other duties.

KBC IFIMA N.V. complies with the laws and regulations of The Netherlands regarding corporate governance.

### ***Auditor***

As of 1st January, 2001 the auditors of KBC Internationale Financieringsmaatschappij N.V. are Ernst & Young Accountants LLP, Prof.Dr.Dorgelolaan 12, 5613 AM Eindhoven, The Netherlands.

The Issuer publishes annual non-consolidated audited financial statements and semi-annual non-consolidated unaudited financial statements.

### ***Share Capital***

The authorised share capital of KBC IFIMA N.V. is €22,689,000, divided into 50,000 common shares of €453.78 each. The issued share capital (which is fully paid up) of KBC IFIMA N.V. is €4,803,264, divided into 10,585 ordinary shares of €453.78 each.

### ***Corporate Objects***

The corporate objects of KBC IFIMA N.V. are set out in Article 2 of its Articles of Association. They include the raising of monies by entering into public or private loans and the re-lending of such monies to other companies in the Group. A copy of the Articles of Association is available for inspection at the registered office of KBC IFIMA N.V.

### ***Change in accounting policy***

With effect from 1st January, 2009, the company has adopted RJ 290-2 (Pronouncement on pensions). In the following Balance Sheet and Profit and Loss tables, the comparative figures for 2008, which include the changes in equity and results of the company, have been re-stated on the basis of such pronouncement.

## BALANCE SHEET OF KBC IFIMA N.V.

(after appropriation of profit)

The following table sets out the audited Balance Sheet of the Issuer for the years ended 31st December 2007, 2008 and 2009

	<i>31st December, 2007</i>	<i>31st December, 2008</i>	<i>31st December, 2009</i>
	<i>(euro)</i>	<i>(euro)</i>	<i>(euro)</i>
<b>Fixed assets</b>			
Intangible fixed assets .....	109,123	24,165	–
Financial fixed assets .....	18,244,897,765	19,762,423,263	18,404,997,458
Long term bank deposit .....	–	4,803,264	4,803,264
Derivatives .....	842,831,764	1,801,404,575	1,166,694,895
	19,087,838,652	21,568,655,267	19,576,495,617
<b>Current Assets</b>			
Loans falling due within one year .....	6,130,916,265	3,808,356,765	4,262,106,385
Interest receivables and accrued expenses .....	229,272,454	208,333,516	112,752,204
Cash .....	4,837,212	6,868,351	6,037,149
	6,365,025,931	4,023,558,632	4,380,895,738
<b>Total assets</b> .....	25,452,864,583	25,592,213,899	23,957,391,355
	<i>31st December, 2007</i>	<i>31st December, 2008</i>	<i>31st December, 2009</i>
	<i>(euro)</i>	<i>(euro)</i>	<i>(euro)</i>
<b>Capital and reserves</b>			
Paid-in and called-up share capital .....	4,803,264	4,803,264	4,803,264
Retained earnings .....	7,586,316	9,581,194	9,076,988
	12,389,580	14,384,458	13,880,252
<b>Provisions for pension obligations</b> .....	311,569	214,827	353,339
<b>Long-term liabilities</b> .....	18,244,548,844	19,766,177,126	18,411,481,110
<b>Derivatives</b> .....	842,831,764	1,801,404,575	1,166,694,895
<b>Current Liabilities</b>			
Issued bonds falling due within one year .....	6,125,314,450	3,803,613,922	4,254,715,459
Other current liabilities .....	227,468,376	206,418,991	110,266,300
	6,352,782,826	4,010,032,913	4,364,981,759
<b>Total liabilities</b> .....	25,452,864,583	25,592,213,899	23,957,391,355

## PROFIT AND LOSS ACCOUNT OF KBC IFIMA N.V.

The following table sets out the audited Profit and Loss Account of the Issuer for the years ended 31st December 2007, 2008 and 2009.

	<i>31st December</i> <i>2007</i>	<i>31st December</i> <i>2008</i>	<i>31st December</i> <i>2009</i>
	<i>(euro)</i>	<i>(euro)</i>	<i>(euro)</i>
<b>Net income from financing activities</b>			
Interest income.....	1,065,991,188	1,288,671,991	537,769,814
Interest expense .....	1,061,114,617	1,281,776,222	530,884,900
<b>Gross Margin</b> .....	4,876,571	6,895,769	6,884,914
Gain on financial transactions .....	–	742,087	–
Change in fair value of derivatives .....	–	–	–
Other (interest) income.....	345,692	323,548	9,142
General and administrative expenses .....	(968,700)	(671,404)	(796,132)
Depreciation of fixed assets .....	(85,441)	(84,958)	(24,165)
Exchange rate differences .....	(15,150)	16,845	(16,576)
Income from participating interests.....	1,347,501	23,061	199,065
<b>Profit before taxation</b> .....	5,500,473	7,244,948	6,256,248
Corporation tax .....	(1,072,325)	(1,848,355)	(1,510,454)
<b>Net profit for the period</b> .....	4,428,148	5,396,593	4,745,794

## SELECTED FINANCIAL INFORMATION OF KBC IFIMA N.V.

The net profit after tax for the year ended 31st December, 2009 amounted to €4,745,794.

An interim dividend of €5,200,000 out of retained earnings and net profit for 2009, which was paid on 4th January, 2010, was recommended to, and approved by, the Annual General Meeting of Shareholders held on 3rd May, 2010.

During 2009, the Issuer issued notes amounting in total to €3,609,198,177 compared to €7,518,756,781 in 2008. During 2009, the interest income of the Issuer also decreased to €537,769,814 compared to €1,288,671,991 in 2008.

The solvency ratio was 0.06 per cent. as at 31st December, 2009 and as at 31st December, 2008.

The liquidity ratio (current assets to current liabilities) was 1 as at 31st December, 2009 and as at 31st December, 2008.

## DESCRIPTION OF THE GUARANTOR

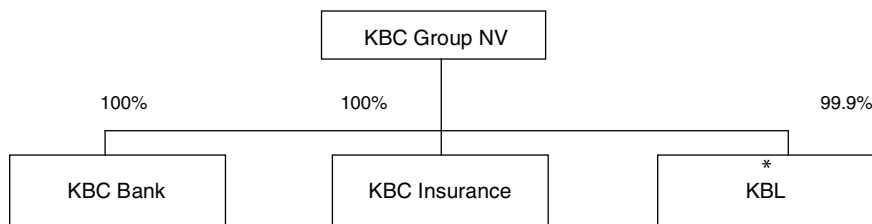
### KBC BANK

#### 1. Creation

KBC Bank NV (“KBC Bank”), a wholly-owned subsidiary of KBC Group NV (“KBC Group”, see below), was established in Belgium on 3rd June, 1998 as a bank (with number BE-0462.920.226) and operates under the laws of Belgium. KBC Bank’s registered office is at Havenlaan 2, B-1080 Brussels, Belgium and it can be contacted via its Telecenter (+32) (0) 78 152 154.

KBC Bank was initially formed through the merger of the banking operations of the Almanij-Kredietbank group and CERA Bank group. Simplified, the merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank. KBC Bank is registered as a credit institution with the Belgian Banking, Finance and Insurance Commission (*Commissie voor Bank-, Financie- en Assurantiewezen*; the “CBFA”).

On 2nd March, 2005, KBC Bank and Insurance Holding Company NV, the parent company of KBC Bank, merged with its parent company Almanij. The merged entity has been renamed KBC Group NV. This restructuring was followed by a number of other simplifications to the group structure, and as a result, the current legal structure of KBC Group now consists of a holding company (KBC Group NV) with three main direct subsidiaries (KBC Bank, KBC Insurance and KBL European Private Bankers (KBL) (in the process of being sold – see further below).



\* Agreement for sale of this company has been signed.

KBC Group’s shares are quoted on NYSE Euronext Brussels and on the Luxembourg Stock Exchange. At the end of March 2010, there were 357,918,125 ordinary shares of KBC Group. At that time, there were 915,228,482 ordinary shares of KBC Bank, one of which held by (its sister company) KBC Insurance and the remainder held by KBC Group (its parent company)

The management structure of KBC Group is built around five business units: Belgium, Central & Eastern Europe and Russia, Merchant Banking, European Private Banking and Shared Services & Operations. Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the group CEO, the group Chief Risk Officer (CRO) and the group Chief Financial Officer (CFO), constitute the executive committee of KBC Group. Each business unit has direct responsibility for achieving the objectives set.

The business units are defined further on. The comments further on will focus on the business units that are relevant for KBC Bank (Belgium, Central & Eastern Europe and Russia, and Merchant Banking). The European Private Banking Business Unit includes only companies belonging to KBL and KBC Insurance (both sister companies of KBC Bank) and an agreement to sell those companies has been signed in the second half of May 2010. The Shared Services & Operations Business Unit provides support to and serves as a product factory for the other business units. It encompasses a number of divisions that provide products and services to the entire KBC group. Most of the expenses

and income of the Shared Services & Operations Business Unit are passed on to the other business units and consequently reflected in their results. The main divisions belonging to this unit are Asset Management, Payments, Consumer Finance, Trade Finance, ICT, Leasing and Organisation. Below, a brief overview is given of the activity geographical reach of every Business Unit:

	Belgium Business Unit	Central & Eastern Europe and Russia Business Unit	Merchant Banking Business Unit	European Private Banking Business Unit*
Main activities	Retail and private bancassurance	Retail and private bancassurance and corporate banking	Corporate banking and market activities	Private banking
Main geographical area	Belgium	Czech Republic, Slovakia, Hungary, Poland, Bulgaria, Russia, Serbia	Belgium and selected countries in Western Europe, North-America and Southeast-Asia	Belgium and selected countries in Europe

\* Agreement to sell these companies has been signed in the second half of May 2010.

A list of all major companies that belong to the legal entity KBC Bank is provided further on.

See also the recent developments section for KBC's new strategic plan, which, among other things, includes a planned divestment of some Group companies in the future. Note also that in KBC Group's financial reporting as of 1Q 2010, all companies that are planned for divestment are moved from their respective unit to a so-called "Group Centre".

## 2. Short presentation of KBC Bank

<b>Shareholders (as at 26th May, 2010)</b>	<i>(Number of Shares)</i>
KBC Group .....	915,228,481
KBC Insurance .....	1
<b>Total</b> .....	<b>915,228,482</b>

<b>Consolidated balance sheet data (in millions of EUR, IFRS)</b>	<i>(31st December, 2008)</i>	<i>(31st December, 2009)</i>
Total assets .....	318,550	281,613
Parent shareholders' equity .....	10,728	12,168

<b>Consolidated profit and loss account data (in millions of EUR, IFRS)</b>	<i>FY 2007</i>	<i>FY 2008</i>	<i>FY 2009</i>
Total income .....	7,576	4,349	3,907
Operating expenses .....	-4,140	-4,411	-4,241
Impairment .....	-212	-1,439	-2,400
Net profit, group share .....	2,261	-1,521	-2,491

### 3. Network and ratings of KBC Bank

#### Network (as at 26th May, 2010)

Bank branches in Belgium .....	861
Bank branches in Central and Eastern Europe and Russia .....	1,381
Bank branches in the rest of the world (incl. rep. offices) .....	32

#### Long-term ratings (as of 26th May, 2010)

Fitch .....	A (stable outlook)
Moody's .....	Aa3 (negative outlook)
Standard and Poor's.....	A (stable outlook)

In view of the uncertain financial and economic climate, rating actions cannot be excluded in the near future.

### 4. Overview of main group companies belonging to KBC Bank (as of 26th May, 2010)

<i>Company</i>	<i>Registered office</i>	<i>Ownership percentage at KBC Bank Level</i>	<i>Activity</i>
<b>Main fully consolidated subsidiaries</b>			
Absolut Bank	Moscow – RU	95.00	Credit Institution
Antwerpse Diamantbank NV	Antwerp – BE	100.00	Credit institution
CBC Banque SA	Brussels – BE	100.00	Credit institution
Centea NV	Antwerp – BE	99.56	Credit institution
CIBANK AD	Sofia – BG	81.69	Credit Institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	Bratislava – SK	100.00	Credit Institution
KBC Asset Management NV	Brussels – BE	51.86	Asset management
KBC Bank NV	Brussels – BE	100.00	Credit institution
KBC Bank Deutschland AG	Bremen – DE	100.00	Credit institution
KBC Bank Funding LLC & Trust (group)	New York – US	100.00	Issuance of trust preferred securities
KBC Bank Ireland Plc.	Dublin – IE	100.00	Credit Institution
KBC Clearing NV	Amsterdam – NL	100.00	Clearing
KBC Commercial Finance	Brussels – BE	100.00	Factoring
KBC Credit Investments NV	Brussels – BE	100.00	Investments in credit linked securities
KBC Finance Ireland	Dublin – IE	100.00	Lending
KBC Financial Products (group)	Various locations	100.00	Shares and derivatives trading
KBC Internationale Financieringsmaatschappij NV	Rotterdam – NL	100.00	Issuance of bonds
KBC Lease (group)	Various locations	100.00	Leasing
KBC Peel Hunt Limited	London – GB	100.00	Stock exchange broker/corporate finance
KBC Private Equity NV	Brussels – BE	100.00	Private equity
KBC Real Estate NV	Zaventem – BE	100.00	Real estate
KBC Securities NV	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.	Budapest – HU	100.00	Credit institution
Kredyt Bank SA	Warsaw – PL	80.00	Credit institution
<b>Main proportionately consolidated subsidiaries</b>			
-	-	-	-
<b>Main companies accounted for using the equity method</b>			
Nova Ljubljanska banka d.d. (NLB)	Ljubljana – SI	30.57	Credit institution

A full list of companies belonging to KBC Group and KBC Bank as at 31st December, 2009 is provided on [www.kbc.com/group/profile/organizational structure](http://www.kbc.com/group/profile/organizational%20structure).

## 5. General description of activities, network and market position of KBC Bank

KBC Bank is a multi-channel bank that caters primarily to private persons and small and medium sized companies. Its geographic focus is on Europe. In its two home markets (Belgium and Central and Eastern Europe), KBC Bank has a very important and (in some cases) even leading position. In the rest of the world, KBC Bank has a selective presence in certain countries or areas. KBC Bank's core business is retail and private bancassurance (including asset management) in its two home markets, though it is also active in services to corporations and market activities.

Across these markets, KBC Bank is active in a large number of products, markets and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance), to specialized activities (which are conducted out of specialized departments at head office or specialized subsidiaries) such as payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, clearing, foreign trade finance, international cash management, leasing and others.

In its new strategy (announced in November 2009), the KBC group will, over time, refocus its business on its core bancassurance activities in Belgium and five selected countries in Central and Eastern Europe. A number of subsidiaries and activities, many of which related to investment banking activities, are planned to be built down or sold in the coming years. International corporate lending outside the home markets will be downscaled. The new strategy formed the basis of the restructuring plan that was submitted to the European Commission in the context of the capital transactions with the Belgian State and Flemish Region (see "Recent Events" below). The plan was cleared by European regulatory authorities on 18th November, 2009.

## 6. Belgium Business Unit

This business unit brings together all KBC Group's retail- and private banking and insurance activities in Belgium. More specifically, it comprises the Belgian retail and private banking activities of KBC Bank, the Belgian activities of KBC Insurance and the activities of a number of Belgian subsidiaries of KBC Bank and KBC Insurance.

The main KBC Bank entities belonging to this unit are CBC Banque, Centea, KBC Asset Management and the Belgian retail and private banking activities of KBC Bank NV.

### Network

Bank network in Belgium (as at 31st December, 2009)<sup>1</sup>

	<i>Market share</i>	<i>Customers (in millions)</i>	<i>Retail and Private Bank Branches</i>
KBC Bank, CBC Banque, Centea .....	20 per cent.	3.5	835

<sup>1</sup> Figures for market share relate to customer deposits and credits; figures for market shares and customers are own KBC Bank estimates.

At the end of 2009, KBC Bank had a network of 809 retail branches and 26 private banking branches in Belgium (KBC Bank branches in the Dutch-speaking part of Belgium and CBC Banque branches in the French-speaking part of Belgium). The (26) corporate branches in Belgium are part of the Merchant Banking Business Unit (see further). The Belgian retail market is also catered to by 687 agencies of the retail savings bank, Centea NV, a subsidiary of KBC Bank (see further under "Main events in 2009 and the first quarter of 2010").

The retail branches of KBC Bank and CBC Banque focus on providing private persons and small SME's in Belgium with a broad area of credit-, deposit- and asset management products and services, as well as insurance products (in co-operation with KBC Bank's sister company, KBC Insurance).

The private banking branches of KBC Bank and CBC Banque offer high-net-worth customers a broad range of private banking services. Via these branches, KBC Bank provides both advisory and discretionary portfolio management services, tailored to clients' individual needs and objectives.

### **Bancassurance**

KBC Group considers itself to be an integrated bancassurer and illustrated this clearly through the new management structure it introduced in 2006 (described earlier). Certain shared and support services are since then organised at group level, serving the entire KBC group, and not just the bank or insurance businesses separately. It is KBC's explicit aim to continue to actively encourage the cross-selling of bank and insurance products within the group's various business units. The success of KBC's bancassurance model is in part due to the co-operation that exists between the bank branches of KBC Bank and the insurance agents of KBC Insurance, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of the insurance agents, the call centre and the head office departments at KBC Insurance.

### **Market share**

As of 31st December, 2009, KBC Bank (including its subsidiaries) had, based on its own estimates, a 19 per cent. share of the Belgian deposit market and a 22 per cent. share of the lending market. Over the past few years, KBC Bank has built up a strong position in investment funds, and leads the Belgian market with an estimated share of 39 per cent.

### **Electronic channels**

The brick-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the Internet.

### **E-banking indicators – Belgium**

	<i>31st December, 2009</i>	<i>31st December, 2008</i>
Number of KBC- and CBC-Matic ATMs.....	1,254	1,272
Number of cash withdrawals at KBC-Matic and CBC-Matic ATMs per month .....	4.7 million	4.0 million
Active subscribers to KBC's Internet and PC banking facilities.....	884,000	790,000

### **Main events in 2009 and the first quarter of 2010**

Reference is made to:

- KBC Bank's Annual Report 2009 (available on [www.kbc.com](http://www.kbc.com) under investor relations-financial information KBC Bank)
- the Investor Day 2009 Presentation (available on [www.kbc.com](http://www.kbc.com) under investor relations-presentations)



- KBC Group's Extended Quarterly Report 1Q 2010 (available on [www.kbc.com](http://www.kbc.com) under investor relations-quarterly financial reports)

In its new strategy, the KBC group will refocus on its core bancassurance activities in Belgium and five selected countries in Central and Eastern Europe. A number of subsidiaries and activities, many of which related to investment banking activities, are planned to be built down or sold.

For the Belgium Business Unit, the core strategy will continue to be based on relationship bancassurance via a dense network. It was decided to divest in the future the complementary sales channel of Centea, which works through self-employed bank agents (and Fidea, belonging to KBC Insurance). *Note that, in KBC Group's reporting as of 1Q 2010, the companies that are planned for divestment are excluded from this unit and grouped together in a so-called 'Group Centre' unit.*

## 7. Central & Eastern Europe and Russia (CEER) Business Unit

This Business Unit comprises all KBC Group's banking and insurance activities (i.e. retail bancassurance and merchant banking) pursued in Central and Eastern Europe and Russia.

The main KBC Bank entities belonging to this unit are Absolut Bank (Russia), CIBANK (Bulgaria), ČSOB (Slovakia), ČSOB (Czech Republic), K&H Bank (Hungary), Kredyt Bank (Poland) and Nova Ljubljanska banka (Slovenia, minority interest).

### Network

Bank network in Central and Eastern Europe and Russia (as at 31st December, 2009)<sup>1</sup>

		<i>Market share</i>	<i>Customers (in millions)</i>	<i>Bank Branches</i>
Czech Republic	ČSOB .....	23 per cent.	3.1	300
Slovakia	ČSOB (incl. Istrobanka).....	10 per cent.	0.4	145
Hungary	K&H Bank.....	9 per cent.	0.9	243
Poland	Kredyt Bank .....	4 per cent.	1.0	419
Bulgaria	CIBANK .....	3 per cent.	0.3	133
Serbia <sup>2</sup>	KBC Banka <sup>2</sup> .....	0.9 per cent.	0.1	70
Russia	Absolut Bank .....	0.5 per cent.	0.2	71

1 Figures for market share relate to customer deposits and credits; figures for market shares and customers are own KBC Bank estimates. Excluding the minority stake in NLB in Slovenia, which is seen as a pure financial participation.

2 KBC Banka is a subsidiary of KBC Insurance, a sister company of KBC Bank.

Over the past few years, KBC Bank has built up an extensive network in a number of countries in Central and Eastern Europe and Russia. As of 31st December, 2009, this network consisted of roughly 1,400 branches operated by its ČSOB subsidiary in the Czech Republic, ČSOB in Slovakia, K&H Bank in Hungary, Kredyt Bank in Poland, CIBANK in Bulgaria, KBC Banka in Serbia (owned by KBC Bank's sister company, KBC Insurance) and Absolut Bank in Russia.

Through this network, KBC Bank caters to almost 6 million bank customers in the region. This customer base, along with the group's 5 million insurance customers, make KBC Group one of the larger financial groups in the Central & Eastern European region.

## **Bancassurance**

KBC's bancassurance concept (see under Belgium Business Unit) has over the past few years been exported to KBC's Central and Eastern European entities. In order to be able to do so, KBC Group has built up a second "home" market in Central and Eastern Europe in insurance too (via KBC Insurance). The group now has an insurance business in nearly every Central and Eastern European country in which it also has a major banking presence. In the Czech Republic, the KBC Group's insurer is ČSOB Pojist'ovňa; in Slovakia, ČSOB Pojist'ovňa; in Poland, WARTA; in Hungary, K&H Insurance and in Bulgaria, DZI Insurance.

## **Market share**

As of 31st December, 2009, the estimated market share (the average of the share of the lending market and the deposit market) came to 23 per cent. in the Czech Republic, 10 per cent. in Slovakia, 9 per cent. in Hungary, 4 per cent. in Poland, 3 per cent. in Bulgaria and below 1 per cent. in both Serbia and Russia. Given the increasing sophistication of these markets, there has been a shift to some extent from traditional deposits to off-balance-sheet products, such as investment funds. KBC Bank also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 34 per cent. in the Czech Republic, 13 per cent. in Slovakia, 20 per cent. in Hungary and 5 per cent. in Poland).

## **Electronic channels**

Just as in Belgium, the brick-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephones and the Internet. In total, KBC Bank has, via its subsidiaries in the region, some 2,000 ATMs and some 1.1 million active users of its various internet and PC-banking facilities.

## **Expansion**

In view of the financial crisis and still uncertain economic circumstances, no significant acquisitions are planned in the foreseeable future.

## **Main events in 2009 and the first quarter of 2010**

Reference is made to:

- KBC Bank's Annual Report 2009 (available on [www.kbc.com](http://www.kbc.com) under investor relations-financial information KBC Bank)
- the Investor Day 2009 Presentation (available on [www.kbc.com](http://www.kbc.com) under investor relations-presentations)
- KBC Group's Extended Quarterly Report 1Q 2010 (available on [www.kbc.com](http://www.kbc.com) under investor relations-quarterly financial reports)

In its new strategy, the KBC group will refocus on its core bancassurance activities in Belgium and five selected countries in Central and Eastern Europe. A number of subsidiaries and activities, many of which related to investment banking activities, are planned to be built down or sold.

For the Central and Eastern Europe and Russia Business Unit, the core strategy will be based on a refined bancassurance model in five countries where the group has a strong foothold (Czech and Slovak Republics, Hungary, Poland and Bulgaria). Absolut Bank (Russia), KBC Banca (Serbia,

subsidiary of KBC Insurance), (the minority share in) Nova Ljubljanska banka (Slovenia) and Zagieli (Poland, consumer Finance) are considered to be non-core in the new strategy and are planned to be divested in future (most divestments are not planned in the near future as sale in the current economic circumstances would be value-destroying). KBC is also planning the floating of a minority share in its Czech subsidiary, CSOB. *Note that, in KBC Group's reporting as of 1Q 2010, the companies that are planned for divestment (and the floating of the minority share in CSOB) are excluded from this unit and grouped together in a so-called 'Group Centre' unit.*

## **8. Merchant Banking Business Unit**

This Business Unit comprises KBC Group's services provided to larger SME and corporate customers, as well as all market activities, (apart from the merchant banking activities performed by the group companies in Central and Eastern Europe and Russia, which are recorded under the CEER Business Unit).

The main KBC Bank entities belonging to this business unit are Antwerp Diamond Bank (various countries), KBC Commercial Finance (Belgium), the merchant banking activities of KBC Bank NV, KBC Bank Deutschland (Germany), KBC Bank Ireland (Ireland), KBC Clearing (Netherlands), KBC Credit Investments (Belgium), KBC Finance Ireland (Ireland), KBC Financial Products (various countries), KBC Lease (various countries), KBC Internationale Financieringsmaatschappij (Netherlands), KBC Peel Hunt (UK), KBC Private Equity (Belgium) and KBC Securities (various countries).

### **Network**

The 26 corporate branches of KBC Bank and CBC Banque (succurales) in Belgium provide products and services to corporates in Belgium (mainly large SMEs).

Outside Belgium (and Central & Eastern Europe and Russia), KBC Bank concentrates on merchant banking through a network of KBC Bank representative offices, branches and subsidiaries. The 32 representative offices and branches are located mainly in Western Europe, Southeast Asia and the US. These establishments concentrate mainly on mid-cap customers and customers that already do business with KBC Bank's Belgian or Central & Eastern European network and additionally also operate in certain niches (which may include government finance, health care, real estate or trade finance). In the new strategy, many of these niche activities, as well commercial banking with customers that have no relationship whatsoever with the Belgian or Central & Eastern European home markets of the group, are considered non-core and are planned to be built-down, stopped or sold (see "Main events of 2009 and the first quarter of 2010" below).

Corporate banking activities are also performed by a number of subsidiaries. The main subsidiaries are KBC Bank Ireland (an Irish bank that provides financial services to SMEs and corporate customers, and also has a sizeable share of the home loan market) and KBC Bank Deutschland (which operates through a limited branch network in the banking market for local mid-sized companies, banks and network customers doing business in Germany). KBC Bank also provides specialised corporate services via subsidiaries that specialise in the area of structured finance, real estate services, leasing and factoring, finance for the diamond trade etcetera. In the new strategy, a number of these activities are considered non-core and are planned to be built-down, stopped or sold.

Besides corporate banking in Belgium and a number of selected countries in the world, KBC Bank is also involved in a number of market activities, including dealing room activities (money and debt market activities, via a number of dealing rooms in Western and Central Eastern Europe, the United States and South East Asia), brokerage and corporate finance (mainly via KBC Securities and KBC Peel

Hunt), clearing (via KBC Clearing), convertible bonds and other specialised market activities (via KBC Financial Products), private equity business (via KBC Private Equity) etc. In the new strategy a number of these activities are considered non-core and are planned to be built-down, stopped or sold.

### **Market share**

As of 31st December, 2009, KBC Bank had (based on its own estimates) a 22 per cent. share of the Belgian commercial credit market.

### **Electronic channels**

KBC Bank offers various electronic services to its business customers, including KBC-Online for Business, KBC-Flexims (an internet channel that customers can use to apply to KBC Bank for documentary credit, documentary collections and international bank guarantees or to modify such facilities), Go & Deal (an internet channel that customers can use to trade FX and money market cash products) and WISE, which enables companies to remotely initiate and approve local and cross border payments and direct debits.

### **Main events in 2009 and the first quarter of 2010**

Reference is made to:

- KBC Bank's Annual Report 2009 (available on [www.kbc.com](http://www.kbc.com) under investor relations/financial information KBC Bank)
- the Investor Day 2009 Presentation (available on [www.kbc.com](http://www.kbc.com) under investor relations-presentations)
- KBC Group's Extended Quarterly Report 1Q 2010 (available on [www.kbc.com](http://www.kbc.com) under investor relations-quarterly financial reports)

In its new strategy, the KBC group will refocus on its core bancassurance activities in Belgium and five selected countries in Central and Eastern Europe. A number of subsidiaries and activities, many of which related to investment banking activities, are planned to be built down or sold. As part of this restructuring, the following transactions took place:

- as of 1st April, 2010, the staff of KBC Securities Japan's cash equity business was transferred to BNP Paribas; and
- on 24th February, 2010, KBC sold its US reverse mortgage portfolio.

For the Merchant Banking Business Unit, this entails a major reduction of scope and risk profile as it is the objective to exit in an orderly manner the bulk of the lending and investment banking activities that have no clear synergies with Belgium and CEE markets. In total activities with risk-weighted assets of circa 23 billion euros will be discontinued in a 5 years period (starting from year end 2008 position). The remaining merchant banking activities have a strategic fit with the Group's home market activities. They will focus on SME and midcap clients, offering them a full financial service including commercial banking (such as lending, cash management and payments, trade finance and leasing activities) and investment banking services (such as treasury services, equity and debt capital market products, equity brokerage and corporate finance). As to KBC's presence in Ireland via KBC Bank Ireland, the strategic position will be reviewed over time.

## 9. Competition

All of KBC Bank's operations face competition in the sectors they serve.

Depending on the activity, competitor companies can include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies, specialised finance companies, asset managers, private bankers or investment companies.

In both Belgium and Central & Eastern Europe and Russia, KBC Bank has an extensive network of branches and/or agencies and the group believes most of its group companies have a strong name brand recognition in their respective markets.

In Belgium, KBC Bank is perceived as belonging to the top three financial institutions. For certain products or activities, KBC Bank estimates it has a leading position (e.g. investment funds). The main competitors in Belgium are BNP Paribas Fortis, Dexia and ING, though for certain products, services or markets, other financial institutions may also be important competitors.

In the Central & Eastern Europe region, KBC Bank is one of the leading financial groups, occupying significant to even leading positions in banking. In this respect, KBC Bank competes, in each of these countries, against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

In the rest of the world, KBC Group's presence mainly consists of a limited number of branches and subsidiaries. In these activities, KBC Bank faces competition both from local companies and international financial groups.

## 10. Risk management

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in the group risk management and cannot be seen separately from it.

A description of risk management is available in the 2009 Annual Report of KBC Bank and KBC Group and to a larger extent in the 2009 Risk Report of KBC Group. Below, only a selection of this information is provided – for a full picture, please refer to the annual reports and the Risk Report of KBC Group.

### Risk governance

Mainly active in banking, insurance and asset management, KBC Group is exposed to a number of typical risks such as – but certainly not exclusively – credit risk, market risks (e.g. movements in interest rates, capital markets risk, currency risk, liquidity risk), insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or generate additional charges beyond anticipated levels.

Below follows a description of credit risks, Asset/Liability Management risks, liquidity risks, market risks and operational risks. A selection of figures on credit risk, ALM and market risk in trading activities are provided further on.

- Credit risk is the potential negative deviation from the expected value of a financial instrument consequent on non-payment or non-performance by a borrower (of a loan), an issuer (of a debt instrument), a guarantor or re-insurer, or a counterparty (to a professional transaction), due to

that party's insolvency or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country.

- Asset/Liability Management (ALM) is the process of managing KBC's structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.
- Liquidity risk is the risk that an organisation may not be able to fund increases in assets or meet obligations as they fall due, unless at unreasonable cost.
- Market risk is defined as the potential negative deviation from the expected economic value of a financial instrument caused by fluctuations in market prices, i.e. interest rates, exchange rates and equity or commodity prices. Market risk also covers the risk of price fluctuations in negotiable securities as a result of credit risk, country risk and liquidity risk. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM.
- Operational risk is the risk of loss resulting from inadequate or failed internal procedures, people and systems or from external events. Operational risks include the risk of fraud, and legal, compliance and tax risks.

In 2009, the KBC group set up a programme to analyse and further improve the readiness of the group to deal with major economic events in the future. This resulted in the launch of a full-scale programme aimed at creating a new comprehensive, integrated model that aligns all dimensions of risk, capital and value management.

### **Credit risk**

Although a number of transactions involve credit risk, the main source of credit risk is the loan portfolio of KBC Bank. A snapshot of this portfolio is shown in the table below.

Loan portfolio:

The loan portfolio includes all (committed and uncommitted) working capital credit lines, investment credit, guarantee credit, credit derivatives (protection sold) and non-government securities in the investment books. It excludes government bonds, trading book securities, interprofessional transactions (deposits with financial institutions, exchange transactions, etc.), short-term commercial transactions (e.g., documentary credit) and intragroup transactions.

## Loan portfolio, KBC Bank

	<i>31st December, 2008</i>	<i>31st December, 2009</i>	<i>31st March, 2010</i>
<b>Total loan portfolio (in billions of EUR)</b>			
Amount granted .....	213	198	198
Amount outstanding .....	174	163	165
<b>Loan portfolio breakdown by business unit (as a per cent. of the portfolio of credit granted)</b>			
Belgium (retail) (excluding planned divestments) .....	*	29 per cent.	29 per cent.
Central and Eastern Europe and Russia (excluding planned divestments) .....	*	22 per cent.	23 per cent.
Merchant banking (excl. Central and Eastern Europe and Russia) (excluding planned divestments) .....	*	40 per cent.	38 per cent.
Group Centre (including planned divestments) .....	*	10 per cent.	10 per cent.
Total .....	100 per cent.	100 per cent.	100 per cent.
<b>Loan portfolio breakdown by sector (selected sectors as a per cent. of the portfolio of credit granted)</b>			
Real estate.....	7 per cent.	7 per cent.	7 per cent.
Electricity .....	2 per cent.	3 per cent.	3 per cent.
Aviation.....	*	0.3 per cent.	0.3 per cent.
Automobile industry .....	2 per cent.	2 per cent.	2 per cent.
<b>Impaired loans (in millions of EUR or per cent.)</b>			
Amount outstanding .....	4,821	8,732	9,572
Specific loan impairments.....	2,559	3,696	3,935
Portfolio-based loan impairments .....	262	323	397
Credit cost ratio, per business unit			
Belgium (excluding planned divestments) .....	*	0.15 per cent.	0.02 per cent.
CEE (excluding planned divestments) .....	*	1.70 per cent.	1.20 per cent.
Merchant Banking (excluding planned divestments) .....	*	1.19 per cent.	1.47 per cent.
Group Centre (including planned divestments) .....	*	2.52 per cent.	0.62 per cent.
Total .....	0.62 per cent.	1.12 per cent.	0.87 per cent.
<b>Non-performing (NP) loans (in millions of EUR or per cent.)</b>			
Amount outstanding .....	3,044	5,427	5,819
Specific loan impairments for NP loans .....	1,781	2,657	2,712
Non-performing ratio, per business unit			
Belgium (excluding planned divestments) .....	*	1.5 per cent.	1.6 per cent.
CEE (excluding planned divestments) .....	*	4.1 per cent.	4.6 per cent.
Merchant Banking (excluding planned divestments) .....	*	3.9 per cent.	4.0 per cent.
Group Centre (including planned divestments) .....	*	5.1 per cent.	5.8 per cent.
Total .....	1.7 per cent.	3.3 per cent.	3.5 per cent.
Cover ratio			
Specific loan impairments for NP loans / Outstanding NP loans .....	59 per cent.	49 per cent.	47 per cent.
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	93 per cent.	74 per cent.	74 per cent.

\* Business unit breakdown was changed in 1Q 2010 and reference figures for 2009 were adjusted. No comparable figures for 2008 are available.

Impaired loans: on KBC Bank's internal Probability of Default ("PD") scale, impaired loans coincide with the worst loan classes, i.e. loans to clients with a PD of 10, 11 and 12. In respect of these impaired loans, specific loan impairments are recorded under IFRS. In addition, a portfolio-based impairment for credit in PD classes 1 to 9 is recognised (based on a formula). Non-performing loans are impaired loans for obligors that are more than ninety days past due (in arrears or overdrawn) and coincide with loans to clients with PD classes 11 and 12. The Non-performing ratio is defined as [amount outstanding of non-performing loans]/[Total outstanding loan portfolio]. The credit cost ratio is defined as [net changes in specific and portfolio-based impairment for credit risks]/[average outstanding loan portfolio].

Credit to individuals is generally granted in the local currency, except in some Central and Eastern European countries and Russia, where credit in foreign currency is provided on account of the significant gap between interest rates in the local currency and interest rates in other currencies. A cautious approach has been adopted towards this particular type of lending for some considerable time. Since then, the level of foreign currency lending has been tempered significantly.

Other credit risks:

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the bank. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk, such as short-term commercial exposure (trade-related commitments, where the term does not surpass two years and the counterparty is a bank, such as confirmed or guaranteed documentary credits and documented pre-export financing and post-import financing), the counterparty risk of inter-professional transactions (refers to placements and the pre-settlement risk of derivatives), trading book securities – issuer risk (refers to the potential loss on default by the issuer of the trading securities) and the government bonds in the investment portfolio. Information on these risks can be found in the annual report. KBC Group's extended quarterly report 1Q 2010 (available on [www.kbc.com](http://www.kbc.com)) also provides additional specific disclosures on the Group's (government bond) exposure to selected Southern European countries and Ireland

Structured credit exposure:

In relation to so-called structured credit products, more information is available in the annual report of KBC Group and KBC Bank and in a dedicated Risk Report available on [www.kbc.com](http://www.kbc.com).

A summary follows next:

In the past, KBC Group acted as *originator* of structured credit transactions and moreover also *invested* in such structured credit products itself.

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO-deals (based on third-party assets) for itself or for third party investors. For several transactions, protection was bought from credit insurers, mainly MBIA, a US monoline insurer ('hedged CDO-linked exposure' in the table).
- KBC Group itself invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('unhedged CDO-exposure' in the table), and in other ABS ('other ABS' in the table). The main objective at that time was to differentiate risk and enhance the yield for the re-investment of its insurance reserves and bank deposits it carried in surplus of its loans.



## Structured credit exposure (CDOs and other ABS), 31-03-2010

(in billions of EUR, pre-tax) , KBC Group	<i>Hedged CDO linked exposure (insured by credit insurers)</i>	<i>Unhedged CDO- exposure</i>	<i>Other ABS</i>
Total nominal amount .....	14.9	10.0	5.1
Initial write-downs on equity and junior CDO pieces .....	–	-0.8	–
Subsequent cumulative value adjustments .....	-1.3	-4.4	-1.1

NOTE: data concern KBC Group (KBC Bank, KBC Insurance and KBL together)

In May 2009, a guarantee agreement was agreed with the Belgian Government as regards the above-mentioned risks related to MBIA and CDOs (see recent events).

### Asset-liability management (market risks in non-trading activities)

The table below shows the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). More details are available in the 2009 annual report of KBC Bank.

#### BPV of the ALM-book, KBC Bank (in millions of EUR)

Average, 1Q 2008 .....	54
Average, 2Q 2008 .....	70
Average, 3Q 2008 .....	72
Average, 4Q 2008 .....	72
<i>End of period</i> .....	79
<i>Maximum in period</i> .....	79
<i>Minimum in period</i> .....	43
Average, 1Q 2009 .....	84
Average, 2Q 2009 .....	90
Average, 3Q 2009 .....	81
Average, 4Q 2009 .....	64
<i>End of period</i> .....	59
<i>Maximum in period</i> .....	93
<i>Minimum in period</i> .....	59
Average, 1Q 2010 .....	63
<i>End of period</i> .....	67
<i>Maximum in period</i> .....	67
<i>Minimum in period</i> .....	59

### Market risk management

As already stated before, KBC Bank has a number of money and debt capital market dealing rooms in Western and Central and Eastern Europe, the United States and the Southeast Asia, though the dealing room in Brussels accounts for the majority of the limits and risks.

KBC Bank, through its specialised subsidiaries KBC Securities, KBC Peel Hunt and KBC Financial Products, engaged in sales and trading in equities and their derivatives. Through KBC Financial Products, the bank was also involved in other specialized market activities (such as fund derivatives, credit derivatives and insurance derivatives). In its new strategy, the KBC group will refocus on its core bancassurance activities in Belgium and five selected countries in Central and Eastern Europe. A number of subsidiaries and activities, many of which related to investment banking activities, will be built down or sold. For market activities, this entails a major reduction of scope and risk profile as it is the objective to exit in an orderly manner a large part of the investment banking activities that have no clear synergies with Belgium and CEE markets.

The table below shows the Value-at-Risk (VAR; 99 per cent. confidence interval, 1-day holding period, historical simulation) for KBC Bank's dealing rooms on the money and capital markets, and for KBC Financial Products. More details are available in the 2009 annual report of KBC Bank.

#### Market risk VAR (1-day holding period, in millions of EUR)

	<i>KBC Bank</i>	<i>KBC Financial Products</i>
Average, 1Q 2008.....	5	15
Average, 2Q 2008.....	7	11
Average, 3Q 2008.....	6	15
Average, 4Q 2008.....	12	24
<i>End of period</i> .....	9	15
<i>Maximum in period</i> .....	15	30
<i>Minimum in period</i> .....	5	9
Average, 1Q 2009.....	9	14
Average, 2Q 2009.....	8	15
Average, 3Q 2009.....	6	9
Average, 4Q 2009.....	6	10
<i>End of period</i> .....	5	11
<i>Maximum in period</i> .....	12	21
<i>Minimum in period</i> .....	5	6
Average, 1Q 2010.....	6	9
<i>End of period</i> .....	6	9
<i>Maximum in period</i> .....	8	11
<i>Minimum in period</i> .....	4	7

#### 11. Staff

In 2009, KBC Bank had, on average on a consolidated basis, about 41,000 employees (in full time equivalents (FTE)), the majority of which were located in Belgium (especially KBC Bank NV) and Central and Eastern Europe and Russia (especially in the Czech and Slovak republics, Poland, Hungary, Bulgaria, and Russia).

In addition to talks at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank also works closely in other areas with employee associations. There are various collective labour agreements in force.

## **12. Banking supervision and regulation**

### **Introduction**

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA, an autonomous public agency, acting as the supervisory authority.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted within each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

### **Supervision and regulation in Belgium**

The banking regime in Belgium is governed by the Law on the Legal Status and Supervision of Credit Institutions of 22nd March, 1993 and its subsequent modifications (the "Banking Act"). The Banking Act, among other things, implements the European legislation, as coordinated by EC Directive 2006/48/EC of 14th June, 2006 relating to the taking up and pursuit of the business of credit institutions (the "Capital Requirements Directive") and by EC Directive 2006/49/EC of 14th June, 2006 on the capital adequacy of investment firms and credit institutions (the "Capital Adequacy Directive"). It sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the CBFA. The main objective of the Banking Act is to protect public savings and the stability of the Belgian banking system in general.]

### **Supervision of credit institutions**

All Belgian credit institutions must obtain a license from the CBFA before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfill numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 10 per cent. or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and prudent management of the credit institution. The CBFA therefore requires the disclosure of the identity and participation of any shareholder with a 10 per cent. or greater capital or voting interest. If the CBFA considers that the participation of a shareholder in a credit institution jeopardizes its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the CBFA is required each time a person intends to acquire shares in a credit institution, resulting in the direct or indirect ownership of a qualified holding, or 20 per cent., 30 per cent. or 50 per cent. of the capital or voting rights, or when the credit institution would become his subsidiary. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a part thereof, which would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the CBFA thereof. The Belgian credit institution itself is obliged to notify the CBFA of any such transfer when it becomes aware thereof. Moreover, every shareholder acquiring, decreasing or increasing its holding (directly or indirectly, alone, together with affiliated persons or in concert with third parties) to 5 per cent. or more of voting rights or capital without reaching the qualifying holding threshold of 10 per cent., must notify the CBFA thereof within 10 working days.

The Banking Act requires credit institutions to provide detailed periodic financial information to the CBFA and the NBB (the “National Bank of Belgium”). The CBFA also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The CBFA sets the minimum capital adequacy ratios applicable to credit institutions. The CBFA may also set other ratios, for example, with respect to the liquidity and gearing of credit institutions. It also sets the standards regarding solvency, liquidity, risk concentration and other limitations applicable to credit institutions.

Pursuant to the Banking Act, the CBFA may, in order to exercise its prudential supervision, require that all information with respect to the organization, the functioning, the position and the transactions of a credit institution be provided to it. Further, the CBFA supervises, among other things, the management structure, the administrative organization, the accounting and the internal control mechanisms of a credit institution. The CBFA may supplement these communications and controls by on-site inspections. The CBFA also exercises its comprehensive supervision of credit institutions through Statutory Auditors who cooperate with the CBFA in its prudential supervision. A credit institution selects its Statutory Auditor from the list of auditors or audit firms accredited by the CBFA.

Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls and in that respect co-operates closely with the CBFA. As the lender of last resort to credit institutions, the NBB is empowered to make recommendations, which it may eventually render compulsory, to banks and other financial institutions. It is also empowered to enforce compliance with standards for balance sheet ratios. The NBB may require banks to make special deposits with it and to maintain set proportions of government paper holdings. It may impose ceilings on credit facilities and on interest rates payable on certain liabilities.

If the CBFA finds that a credit institution is not operating in accordance with the provisions of the Banking Act, that its management policy or its financial position is likely to prevent it from honoring its commitments or that it does not provide sufficient guarantees for its solvency, liquidity or profitability, or that its management structure, administrative and accounting procedures or internal control systems present serious deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the CBFA has the power to appoint a special commissioner, to impose additional requirements regarding solvability, liquidity, risk concentration and other limitations, to suspend or prohibit all or part of its activities, to order the disposal of all or part of its shareholdings, to impose the replacement of the directors, and finally, to revoke the license of the credit institution.

### **Bank governance**

Belgian law and regulatory practices make a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution’s general policy, which is entrusted to the Board of Directors. In a circular, the CBFA recommends the implementation of this distinction. Besides, this circular contains also other recommendations to assure the autonomy of the banking function and the proper governance of the credit institution.

As required by the CBFA, KBC Bank has drafted a “Governance Memorandum”, which sums up the main characteristics of its policy-structure. The policy of a credit institution must meet the principles set out in the above-referenced circular of the CBFA. The Governance Memorandum has already been approved by the Board of Directors of KBC Bank and has been submitted for approval to the CBFA.

Pursuant to the Banking Act, the members of the Executive Committee need to have the required professional reliability and appropriate experience, the other managers of a credit institution need to have the required expertise and appropriate experience.

### **Solvency supervision**

Capital requirements and capital adequacy ratios are provided for in the CBFA's Regulation on own funds of 17th October, 2006 as approved by Ministerial Decree of 27th December, 2006 (the "2006 Decree on Own Funds"), transposing the Basel II related provisions of the Capital Requirements Directive and the Capital Adequacy Directive. The payment of dividends by Belgian credit institutions is not limited by

Belgian banking regulations, except indirectly through capital adequacy and solvency requirements, and is further limited by the general provisions of Belgian company law.

The 2006 Decree on Own Funds requires that the solvency of Belgian credit institutions be measured by a ratio that serves as the basis for the calculation of the minimum required capital. This capital requirement is principally determined by the degree of credit risk that is inherent in each item of the balance sheet and in each off-balance-sheet item. Each bank subject to the 2006 Decree on Own Funds must maintain a capital adequacy ratio (the "CAD ratio") of total capital (Tier I and Tier II) to risk-weighted assets, of no less than 8 per cent. The CAD ratio also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. The CAD ratio may increase to cover temporary large exposures that exceed the exposure limit described below.

Solvency is also measured by the gearing ratio, which compares shareholders' equity to debt to third parties, as defined in applicable regulations. The 2006 Decree on Own Funds also stipulates that in no event may the total capital of credit institutions be less than total fixed assets.

### **Large exposure supervision**

Belgian regulations also ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25 per cent. of the total capital and the total amount of concentrated risks (single counterparty exposures larger than 10 per cent. of total capital) to 800 per cent. of total capital. Belgian regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

### **Equity investments**

Belgian credit institutions may make equity investments in commercial and industrial companies. However, such investments (of 10 per cent. or more) may not exceed: (i) 15 per cent. of the shareholders' equity of the credit institution on a per investment basis, or (ii) 45 per cent. of the shareholders' equity of the credit institution in the aggregate.]

### **Money laundering**

Belgium has implemented Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing by adjusting an Act of January 11, 1993. This legislation contains a preventive system imposing a number of obligations in relation to money laundering and the

financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms with the appointment of a compliance officer, and employee training requirements. When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. The unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The CBFA has issued guidelines for credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, paragraph 1, 2, 3 and 4 of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of five years and/or a penalty of a minimum of 26 euros and a maximum of 100,000 euros (to be increased with the additional penalty, or - in other words - to be multiplied by 5).

### **Consolidated supervision**

KBC Bank is subject to consolidated supervision on the basis of the consolidated financial situation of the KBC Group, which covers, among other things, solvency, as described above, pursuant to Article 49, § 4 of the Banking Act.

### **KBC Asset Management**

As from June 2005, the status of KBC Asset Management has been changed from “investment firm” to a “management company of undertakings for collective investment in transferable securities (UCITS)” (a “UCITS-management company”). Its activities are, *inter alia*, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA.

The UCITS-management company regime in Belgium is governed by the “Law on certain forms of collective management of investment portfolios” of 20th July, 2004 and its subsequent modifications (“Act of 20th July, 2004”). The Act of 20th July, 2004 implements European Directive 2001/107/EC of 21st January, 2002 relating to UCITS with a view to regulating management companies and simplified prospectuses. This Act also sets forth the conditions under which UCITS-management companies may operate in Belgium and defines the regulatory and supervisory powers of the CBFA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Act of 20th July, 2004 contains, *inter alia*, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation for management companies to carry out their activities in the interests of their clients or of the UCITS that they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the CBFA;
- being subject to the same supervision of the CBFA and the same administrative sanctions imposed by the CBFA as mentioned above; and
- being subject to the supervision of Statutory Auditors.

### **13. Material Contracts:**

KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of the Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Holders of the Securities.

For the sake of completeness and clarity, we have to draw attention to the important transactions concluded by KBC Group with the Belgian State and the Regional Flemish government in order to strengthen capital and to become credit protection for a large part of KBC's structured credit exposure. The content of these transactions has been summarised in 17 (*Recent Events*).

### **14. Memorandum and Articles of Association**

Pursuant to Article 2 of KBC Bank's Articles of Association, the company has as its object, in Belgium or abroad, for its own account or for account of third parties, the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue. Consequently, included in the objects of the company to the extent that they are permitted under the legal status of the credit institutions are: all operations in connection with deposits of cash, securities and valuables; all credit operations; all financial, stock-exchange, foreign-exchange and issue transactions; all broking and commission operations, including those relating to insurance; the purchase and sale, hire and letting, and the leasing of movable and immovable goods, as well as all other transactions involving such goods; investment in shares and the holding of participations. The company may perform all acts which can contribute directly or indirectly to the implementation of its object in the broadest sense.

The Articles of Association of KBC Bank were adopted on 17th March, 1998 and they were last amended on 28th April, 2010.

### **15. Share Capital**

The share capital of KBC Bank consists of ordinary shares of no nominal value. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. As at 30th June, 2009, there were 915,228,482 ordinary shares in circulation. Of these, KBC Group and KBC Insurance NV, respectively, hold 915,228,481 shares and 1 share. As at 26th May, 2010, there were no freely convertible bonds outstanding.

KBC Bank has paid the following dividends over the past five years: EUR 889 million (2008), EUR 1,591 million (2007); EUR 1,367 million (2006) and EUR 1,035 million (2005). KBC Bank has not paid a dividend in 2009 over the accounting year 2008 and does not intend to pay any dividend in 2010 over the accounting year 2009.

### **16. Outstanding debt**

For information on outstanding debt of KBC Bank, please refer to Notes 14, 15, 16, 17 and 21 to the audited consolidated financial statements of KBC Bank in respect of the financial year ended 31st December, 2009 incorporated by reference herein.

### **17. Recent Events**

#### Capital-strengthening transactions with the Belgian and Flemish governments

Notwithstanding the fact that KBC group's (and KBC Bank's) solvency position had been considered as strong until before the crisis erupted, market pressure for higher capital buffers combined with

considerable valuation losses on the group's structured credit portfolio (CDOs and alike), led KBC Group to issue capital securities subscribed by the Belgian Federal State and the Flemish Region of Belgium (each 3.5 billion EUR), in order to keep its capital base at a sufficiently high level. Moreover, KBC Group agreed with the Belgian Federal State on a guarantee agreement relating to 20.0 billion EUR CDO and MBIA-related risk.

*Details on the 7.0 billion EUR core capital securities subscribed by the Belgian Federal State and the Flemish Region of Belgium:*

Since end 2008, KBC Group has issued 7.0 billion EUR of perpetual, non-transferable core-capital instruments with no voting rights, which rank equal with ordinary shares upon liquidation, to the Belgian State (the Federale Participatie- en Investeringsmaatschappij) and the Flemish Region of Belgium (each for 3.5 billion EUR). The transaction with the Belgian State was signed in December 2008, while the transaction with the Flemish Region of Belgium was closed in July 2009. KBC Group has used the proceeds of these transactions to strengthen the core capital of its banking activities by in total 5.5 billion EUR (via ordinary capital increases in KBC Bank) and to increase the solvency margin of its insurance activities by 1.5 billion EUR (via ordinary capital increases in KBC Insurance).

Other features of these transactions are (simplified):

- Issue price: 29.50 EUR per security.
- Coupon: the higher of (i) 2.51 EUR per security (corresponding to an interest rate of 8.5%), and (ii) 120% of the dividend paid on ordinary shares for 2009 (coupon payment in 2010) and 125% for 2010 and subsequent years (coupon payments in 2011 and later). No coupon will be paid if there is no dividend.
- Buyback option: subject to the approval of the financial regulator, KBC Group may at any time repurchase all or some of the securities at 150% of the issue price (44.25 EUR), payable in cash.
- Exchange option (only applicable to the transaction with the Belgian State): after three years (i.e. December 2011), KBC Group may at any time exchange the securities for ordinary shares on a one-for-one basis. Should it opt to do this, the State may choose to receive payment in cash for the securities. The cash amount will be equal to 115% of the issue price as of the fourth year, and will increase each subsequent year by 5 percentage points (with a cap at 150%).

*Details on the Guarantee Agreement relating to 20.0 billion EUR CDO and MBIA-related risk:*

On 14 May 2009, KBC Group signed an agreement with the Belgian State regarding credit protection for a large part of KBC's structured credit exposure. Simplified, it relates to a notional amount of 20.0 billion EUR, comprising 5.5 billion notional value of super senior CDO investments and 14.4 billion notional value of counterparty risk on MBIA (US monoline insurer). Against payment of a fee KBC Group bought a guarantee from the State covering 90% of the default risk beyond a set first loss. Simplified, the transaction is structured as follows:

- first tranche ad 3.2 billion EUR: credit losses to be borne by KBC Group;
- second tranche ad 2.0 billion EUR: credit losses to be borne by KBC Group. KBC can ask the Belgian State to subscribe to new KBC Group shares at market value, for an amount equalling 90% of the loss in this tranche (10% risk retained).
- third tranche ad 14.8 billion EUR: credit losses are for 90% compensated by the State in cash (10% loss retained by KBC).



As a result, the potential negative impact deriving from the MBIA- and CDO-exposure is significantly reduced. Some volatility remains, however, since e.g. increasing market values imply that existing value adjustments can be reversed (with a positive impact), but if consequently market values decrease again, new value adjustments have to be booked. In any case, the cumulative amount of booked value adjustments is capped by the guarantee agreement.

#### New strategic plan of KBC Group

KBC Group has been working on a strategic analysis of its group-wide activities and of the economic and financial environment the group currently operates in. This effort has resulted in an updated strategic plan, which has been tested under different macroeconomic scenarios. The plan analyses KBC Group's business and its proposed future strategy, and also served as a basis for the European Commission to assess KBC's capacity to redeem the government securities within a reasonable timeframe. This is common practice for European financial institutions that have taken part in economic stimulus plans launched by the EU Member States. The plan was cleared by European regulatory authorities on 18 November 2009.

In its new strategy, the KBC group will refocus on its core bancassurance activities in Belgium and 5 selected countries in Central and Eastern Europe (Czech and Slovak Republics, Hungary, Poland and Bulgaria). A number of subsidiaries and activities, many of which related to investment banking activities, will be built down or sold in the coming years. International corporate lending outside the home markets will be downscaled. Note that the plan provides flexibility to cope with potential setbacks, such as worse-than-anticipated macroeconomic growth figures.

For the Belgium Business Unit, the core strategy will continue to be based on relationship bancassurance via a dense network. It was decided to divest the complementary sales channels of Centea and Fidea (the latter belonging to KBC Insurance) to generate repayment capacity for the capital securities issued to the Belgian and Flemish governments.

For the Central and Eastern Europe and Russia Business Unit, the core strategy will be based on a refined bancassurance model in five countries where the group has a strong foothold (Czech and Slovak Republics, Hungary, Poland and Bulgaria). Absolut Bank (Russia), KBC Banca (Serbia, subsidiary of KBC Insurance), Nova Ljubljanska banka (Slovenia, minority stake) and Zagiel (Polish consumer finance) are considered to be non-core in the new strategy. However, most divestments are not planned in the near future as sale in current economic circumstances would be value-destroying. KBC is also planning the public offering of a minority share in its Czech subsidiary, CSOB.

For the Merchant Banking Business Unit, the new strategy entails a major reduction of scope and risk profile as it is the objective to exit in an orderly manner the bulk of the lending and investment banking activities that have no clear synergies with Belgium and CEE markets. In total activities with risk-weighted assets of circa 23 billion euros will be discontinued over 5 years period (starting from year end 2008 position). The remaining merchant banking activities have a strategic fit with the group's home market activities. They will focus on SME and midcap clients, offering them a full financial service including commercial banking (lending, cash management and payments, trade finance, leasing, ...) and investment banking services (treasury services, equity and debt capital market products, equity brokerage, corporate finance, sales trading, ...). KBC's presence in Ireland via KBC Bank Ireland remains under review for the time being.

The entire European Private Banking Business unit (consisting of KBC Bank's sister company KBL European Private Bankers and Vitis Life) is considered non-core and will be divested, in order to help pay back the capital securities issued to the Belgian and Flemish governments. An agreement was reached in the second half of May 2010 to sell these activities to Hinduja group for a total

consideration of 1.35 billion euros. Closing of the transaction is subject to customary regulatory approvals and is expected to be completed in the third quarter of 2010.

Most recent full-year or interim earnings release of KBC Bank (consolidated, IFRS)

Mid May 2010, the most recent earnings release of KBC Bank related to FY 2009. A summary follows below. Detailed information is available in KBC Bank's annual report 2009.

- Consolidated net result, attributable to equity holders of the parent, amounted to a negative 2 491 million euros in FY 2009
- Net interest income came to 4,920 million euros in 2009, up 22% on FY2008, thanks inter alia to a net interest margin widening and a shift towards deposit products with a higher margin for the group.
- Net fee and commission income amounted to 1,545 million euros in 2009, down 13% on its 2008 level. On a quarterly basis, fee and commission income gradually began to rise again from the second quarter onwards, attributable primarily to growth in fee and commission income from asset management activities.
- Net (un)realised gains from financial instruments at fair value through profit or loss (trading and fair value income) came to a negative 3,126 million euros in 2009 and – like 2008 – were adversely affected by adjustments to the value of CDOs (including the fee paid to the Belgian Federal Government for the guarantee agreement relating to CDOs and the counterparty exposure to MBIA). If these and other exceptional items (such as the loss stemming from the discontinuation of certain derivative trading activities at KBC Financial Products) are excluded and all trading-related income recorded under IFRS in different other income items are included, underlying trading and fair value income amounted to 867 million euros in 2009, compared with 941 million euros a year earlier.
- At 80 million euros, dividend income was down 51 million euros on the year-earlier figure, due to companies paying lower dividends and the group's equity portfolios being scaled down.
- Net realised gains from available-for-sale assets came to 174 million euros, a sharp increase on the negative 11 million euros recorded in 2008, thanks to the gradual recovery of the stock markets and higher gains realised on the sale of bonds.
- Other net income amounted to 313 million euros, compared with 538 million euros in 2008.
- Operating expenses totalled 4,241 million euros in 2009, 4% lower than the year-earlier figure, due mainly to lower variable employee remuneration, stringent cost control and a reduced workforce (down by some 7% in the space of a year, partly consequent on the run-down of certain merchant banking activities).
- Impairment on loans amounted to 1,901 million euros in 2009, up 1,141 million euros on the 2008 figure, reflecting the deteriorating economic climate in the period under review. The increase in loan losses was most marked in the CEER and Merchant Banking business units. Impairment on available-for-sale assets amounted to 84 million euros in 2009. Other impairment charges came to 416 million euros (67 million euros in 2008) and relate largely to value markdowns on goodwill in relation to certain subsidiaries (primarily in the CEER Business Unit).

Most recent full-year or interim earnings release of KBC Group (parent company of KBC Bank) (consolidated, IFRS)

Mid May 2010, the most recent earnings release of KBC Group related to 1Q 2010. A summary follows below. Detailed information is available in KBC Group's Extended Quarterly report 1Q 2010.

- KBC ended the three months to March 2010 with a net profit of 442 million euros, compared with a net profit of 304 million euros in the previous quarter. In the corresponding first quarter of 2009, when the financial crisis was at its height, a significant loss of 3.6 billion euros was posted. On an underlying basis, i.e. excluding non-operational items, net profit amounted to 543 million euros in the quarter under review.
- Highlights for 1Q 2010:
  - o Continued sound deposit and credit spreads,
  - o Gradual recovery of fee & commission income confirmed
  - o Strong dealing room activities, in line with market performance
  - o Insurance premium inflows continued their steady pace
  - o Operational expenses remained very well under control
  - o Substantially lower loan loss impairments quarter-on-quarter

KBC Group's Extended quarterly report 1Q 2010 also provides additional disclosures on the group's (government bond) exposure to selected Southern European countries and Ireland.

#### **18. Management of KBC Bank NV**

The Board of Directors of KBC Bank has the powers to perform everything that is necessary or useful to achieve the object of the company, with exception of those powers of which, pursuant to the law and the articles of association, solely another body is empowered to perform.

Pursuant to article 26 of the Law of 22nd March, 1993 on the legal status and supervision of credit institutions, and article 524bis of the Companies Code, the Board of Directors of KBC Bank has transferred the day-to-day-management of the company to the Executive Committee of KBC Bank. However, this transfer of powers relates neither to the definition of *'general policy'*,<sup>3</sup> nor to the powers which are reserved to the Board of Directors by the provisions of the Companies Code. The Board of Directors is responsible for supervision of the Executive Committee. There are no potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

Members of the Board of Directors of KBC Bank are as follows:

<i>NAME</i>	<i>Period served on the Board in 2009</i>	<i>Position</i>	<i>Expiry date of current term of office</i>	<i>External offices</i>
HUYGHEBAERT Jan	Chairman	Full year	2014	–
AGNEESSENS Herman	Executive Director	Until 30 April 2009		–
BERGEN André	Executive Director	Until 31 August 2009		–
DEFRANCQ Chris	Executive Director	Full year	Until 28 April 2010	–
DE RAYMAEKER Danny	Executive Director	Full year	2012	Chairman Management Board of <b>Concert Noble NV</b>
HOLLOWS John	Executive Director	As from 1 September 2009	2013	–
PHILIPS Luc	Executive Director <sup>(1)</sup>	Full year	2014	Director of <b>Gemma Frisiusfonds K.U. Leuven</b> Director of <b>Gemma Frisiusfonds K.U. Leuven II</b> Director of <b>Norkom Alchemist Ltd</b> Director of <b>Norkom Group Ltd</b> Director of <b>Zinner NV</b> Director of <b>ThromboGenics NV</b>
POPELIER Luc	Executive Director	As from 1 September 2009	2013	Director of <b>KBC Credit Investments</b> Director of <b>KBC Financial Holding, Inc</b>
SEGERS Guido	Executive Director	Until 31 July 2009		–
THIJS Johan	Executive Director	As from 1 September 2009	2013	Director of <b>Groep VTB-VAB</b> Director of <b>VTB-VAB</b>
VANHEVEL Jan	Executive Director	Full year President of the Executive Committee <sup>(2)</sup>	2014	–
VERWILGHEN Etienne	Executive Director	Full year	2014	–
VOLJC Marko	Executive Director	As from 28 April 2010	2014	–
DE WILDE Julien	Independent Director	Full year	2014	Independent Director of <b>Bank J. Van Breda &amp; Co</b> Chairman Management Board of <b>Nyrstar</b> Independent Director of <b>Telenet Group Holding</b>
DEPAEMELAERE Jean-Pierre	Independent Director	As from 10 December 2009	2013	Independent Director of <b>RealDolmen NV</b> Independent Member of the Supervisory <b>DAF Trucks NV</b>

<i>NAME</i>	<i>Period served on the Board in 2009</i>	<i>Position</i>	<i>Expiry date of current term of office</i>	<i>External offices</i>
DE JONG Jan-Maarten	Independent Director	As from 10 December 2009	2013	Vice President of <b>Heineken NV</b> Internal Auditor of <b>Nutreco Holding NV</b> Internal Auditor of <b>AON Groep Nederland BV</b> Managing Director of <b>CRH Plc</b> Director of <b>INSEAD</b>
DE BECKER Sonja	Non-Executive Director	Full year	2013	Managing Director of <b>Aktiefinvest cvba</b> Chairman management board of <b>SBB</b>
DEPICKERE Franky	Non-Executive Director	Full year	2011	Managing Director of <b>Almancora Beheersmaatschappij</b> Managing Director of <b>Cera Beheersmaatschappij</b> Independent Director of <b>Miko NV</b>
KONINGS Pierre	Non-Executive Director	Full year	2013	Director of <b>BD-World SA</b> Chairman Management Board of <b>E-Capital II</b> Chairman Management <b>Board of Capricorn Cleantech Fund Investments</b> Chairman Management Board of <b>Control Tab</b>
NONNEMAN Walter	Non-Executive Director	Full year	2012	Indedepent Director of <b>Cera Beheersmaatschappij</b> Independent Director of <b>Fluxys NV</b>
ORLENT-HEYVAERT Marita	Non-Executive Director	Full year	2013	–
PEETERS Paul	Non-Executive Director	Full year	2013	Director of <b>Almancora Beheersmaatschappij</b> Director of <b>Cera Beheersmaatschappij</b>
SAP Gustaaf	Non-Executive Director	Full year	2013	Chairman Management Board of <b>Cecan NV</b> Director of <b>Cecan Invest NV</b>

<i>NAME</i>	<i>Period served on the Board in 2009</i>	<i>Position</i>	<i>Expiry date of current term of office</i>	<i>External offices</i>
VANDEN AVENNE Patrick	Non-Executive Director	Full year	2013	Chairman Management Board of <b>Calibra Poultry NV</b> Vice Chairman Management Board of <b>Biopower cvba</b> Managing Director of <b>Bens NV</b> Director of <b>Sininvest NV</b> Managing Director of <b>Vanden Avenne Vrieshuis NV</b> Managing Director of <b>Vanden Avenne - Ooigem</b> Managing Director of <b>Lacotrans NV</b> Director of <b>Euro-Silo NV</b> Director of <b>Acta NV</b> Director of <b>Isarick NV</b> Director of <b>Harpaca NV</b> Director of <b>Larinvest NV</b> Director of <b>Ispahan NV</b> Manager of <b>Bavarco bvba</b> Director of <b>Fidex NV</b> Director of <b>Decospan nv</b>
VANTIEGHEM Germain	Non-Executive Director	Full year	2014	–
WAUTERS Dirk	Non-Executive Director	Full year	2013	Director of <b>Agro - Services cvba</b> Director of <b>Aktiefinvest cvba</b> Chairman of <b>Arda Immo nv</b> Director of <b>SBB Accountants en Belastingconsulenten bvcvba</b> Director of <b>SBB Bedrijfsdiensten bvcvba</b> Managing Director of <b>M.R.B.B. cvba</b> Director of Agri Investment Fund cvba Director of <b>Acerta cvba</b> Director of <b>Acerta Consulting cvba</b> Director of <b>Covalis nv</b>
WITTEMANS Marc	Non-Executive	Full year	2014	Director

Auditor: Ernst & Young, bedrijfsrevisoren bcvba, represented by Pierre Vanderbeek and/or Peter Telders

(1) As non-executive director until 30th April, 2009

(2) As from 1st September, 2009

## TAXATION

### THE NETHERLANDS

#### **General**

*The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.*

*This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.*

*This summary does not address the Netherlands tax consequences for:*

- (i) holders of Notes holding a substantial interest (aanmerkelijk belang) or deemed substantial interest (fictief aanmerkelijk belang) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;*
- (ii) investment institutions (fiscale beleggingsinstellingen); and*
- (iii) pension funds, exempt investment institutions (vrijgestelde beleggingsinstellingen) or other entities that are exempt from Netherlands corporate income tax.*

Where this summary refers to a holder of Notes, such reference is restricted to a holder holding legal title to, as well as an economic interest in, such Notes.

#### **Withholding Tax**

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

#### **Corporate and Individual Income Tax**

##### *(a) Residents of the Netherlands*

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption,

settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25.5 per cent.).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*) to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1st January and 31st December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments will be taxed at a rate of 30 per cent.

(b) *Non-residents of the Netherlands*

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5 per cent.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or



a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*) or (3) is entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52 per cent. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under “Residents of the Netherlands”). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

### ***Gift and Inheritance Tax***

#### *(a) Residents of the Netherlands*

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a donation within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a donation within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

#### *(b) Non-residents of the Netherlands*

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless, in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands.

### ***Value Added Tax***

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

### **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

### **BELGIUM**

*The following summary describes the principal Belgian tax consequences of the acquisition, holding, redemption and disposal of Notes, which term, for the purpose of this summary, includes Coupons, Receipts and Talons. This summary does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Notes. Each prospective Noteholder should consult a professional adviser with respect to the tax consequences of an investment in the Notes.*

*This summary is based on the Belgian tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Base Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.*

### **Income Tax and Withholding Tax on the interest of the Notes**

For Belgian income tax purposes, the Notes are to be qualified as “fixed-income securities” as defined in article 2, par. 1, 8° of the Income Tax Code (“ITC”). Not only interest coupons but any sum paid by the Issuer in surplus of the Issue Price, whether or not prior to the stated maturity of the Notes, is interest for Belgian tax purposes.

Under present Belgian tax law, no Belgian withholding tax is due on the payment of principal or interest in respect of the Notes, Receipts or Coupons by the Issuer or by any non-Belgian paying agent. If, however, the Noteholder, Receiptholder or Couponholder is a Belgian individual subject to Belgian personal income tax and acquires and holds the Notes, Receipts or Coupons as a private investment, the interest must be declared in his Belgian tax return and will generally be taxed at a rate currently fixed at 15 per cent. (to be increased with local taxes). If the Noteholder, Receiptholder or Couponholder is a Belgian individual subject to Belgian personal income tax and acquires the Notes, Receipts or Coupons for professional purposes, the interest must be declared by the beneficiary and will be taxed at the Belgian personal income tax rates. If the Noteholder, Receiptholder or Couponholder is a Belgian company subject to Belgian corporate income tax or a Belgian branch of a foreign company subject to Belgian income tax on non-residents, the interest will, in general, be taxed at the normal rates of Belgian corporate income tax (currently 33.99 per cent.) or of the Belgian income tax on non-residents (currently also 33.99 per cent.). If a Noteholder, Receiptholder or Couponholder is a Belgian legal entity subject to the Belgian income tax on legal entities (“*rechtspersonenbelasting*”/“*impôt des personnes morales*”) the payment of interest in respect of Notes, Receipts and Coupons is generally subject to Belgian withholding tax at a rate currently fixed at 15 per cent. which must be withheld and paid by the receiving legal entity itself.

The payment of interest in respect of Notes, Receipts and Coupons by the Issuer through a Belgian paying agent is in principle subject to Belgian withholding tax (at a rate currently fixed at 15 per cent.), unless the Belgian paying agent is a credit institution, brokerage firm or clearing and settlement institution who pays the interest to a foreign professional intermediary within the meaning of article 261, par. 4 ITC.

Based on Belgian legislation, an exemption of withholding tax can be applied if *inter alia*:

- (i) the Notes are held (as owner or usufructuary) by Noteholders who do not have their fiscal residence in Belgium and who do not use the Notes for carrying on a business in Belgium, and provided the Belgian paying agent is a credit institution, brokerage firm or clearing or settlement institution,
- (ii) the Notes, other than Redemption Notes and Zero Coupon Notes, are held by a Belgian company subject to Belgian corporate income tax,
- (iii) the Notes, other than Redemption Notes and Zero Coupon Notes, are held by non-residents who use the Notes for carrying on a business in Belgium through a permanent establishment.

In each case, the exemption of withholding tax is subject to the signing of a withholding tax certificate.

The payment of interest in respect of Notes, Receipts and Coupons by the Guarantor in its capacity of principal debtor under the Guarantee, is in principle subject to Belgian withholding tax (at a rate currently fixed at 15 per cent.).

In the case of payments made by the Guarantor other than in its capacity of principal debtor under the Programme Agreement, the Agency Agreement or the Guarantee, it can reasonably be argued, based on an administrative commentary of the Belgian Tax Administration, referring to a decision of the Belgian Supreme Court, albeit in another context, that subject to certain formalities neither the Guarantor nor a Noteholder, Receiptholder or Couponholder who is not a resident of the Kingdom of Belgium and who does not hold Notes, Receipts or Coupons for the purposes of a professional activity in the Kingdom of Belgium (e.g. through a permanent establishment located in the Kingdom of Belgium) will be liable for any taxes including withholding taxes or other government charges due under the laws of the Kingdom of Belgium or any authority of, or in, the Kingdom of Belgium in respect of payment made under the aforementioned agreements or the Guarantee.

### ***Income Tax on capital gains***

Noteholders who do not have their fiscal residence in Belgium and who do not have a Belgian fixed base or permanent establishment to which the Notes are attributable, will not be liable for any Belgian income tax on capital gains realized on a sale of the Notes on the secondary market, except for the prorated interest amount which may be taxed as interest.

Noteholders who are private individuals holding the Notes as a private investment and who have their fiscal residence in Belgium, and Noteholders who are subject to the Belgian income tax on legal entities, will not be liable for any income tax on capital gains realized on a sale of the Notes on the secondary market, except for the prorated interest amount which may be taxed as interest. If however a private individual's capital gains arise from transactions going beyond the daily course of management of private property, the private individual will be subject to income tax at a rate of 33 per cent. (plus local taxes).

Other Noteholders who have their fiscal residence in Belgium or who use the Notes for carrying on a business in Belgium through a fixed base or permanent establishment will be taxable on capital gains realised at the occasion of the transfer of the Notes.

### ***Transfer Tax and Stamp Duties***

In general, Belgian tax on stock exchange transactions (*“taks op de beursverrichtingen”/taxe sur les opérations de bourse*) will be applicable on any secondary market transaction with respect to any Notes, if such transaction is either concluded or carried out in the Kingdom of Belgium, and if such transaction was made with the intervention of a professional intermediary. A separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary. The applicable rate will be 0.07 per cent. Such tax will, however, be limited to a maximum amount of EUR 500 per taxable transaction and per party. The stamp duty will not be payable by exempt persons acting for their own account as defined in article 126/1, 2° of the Code of various duties and taxes (*“Wetboek diverse rechten en taken”/“Code des droits et taxes divers”*), including investors who are not Belgian residents (provided they confirm their non-resident status), and some professional intermediaries, insurance companies, collective investment institutions or pension funds.

Furthermore, a Belgian stamp duty on the physical delivery of bearer securities (*“taks op de aflevering van effecten aan toonder”/taxe sur les livraisons des titres au porteur*) will be applicable at the rate of 0.60 per cent., if physical delivery of the Notes takes place as a result of a secondary market transaction made with the intervention of a Belgian professional intermediary, or in case of withdrawal of the Notes from a custody deposit with a Belgian credit institution, brokerage firm, property management company or the CIK (*“Interprofessionele Effectendeposito – en Girokas/Caisse Interprofessionnelle de Dépôts et de Virements de Titres”*). However, no tax is due in each of the following cases: (1) physical delivery of the Notes to a professional intermediary (within the meaning of article 2, 9° and 10° of the Law of 2nd August, 2002) established in Belgium, and (2) physical delivery of the Notes to a non-resident if this delivery takes place as a result of the withdrawal of the Notes from a custody deposit.

### ***Gift, estate or inheritance tax***

Except for the gift tax payable in the case of a gift by deed made in Belgium, no gift, estate or inheritance tax is due in Belgium in respect of Notes, Receipts or Coupons, unless a Noteholder, Receiptholder or Couponholder is resident in Belgium at the time of his death.

## **LUXEMBOURG**

*The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

### **Withholding Tax**

#### ***(i) Non-resident holders of Notes***

Under Luxembourg general tax laws currently in force and subject to the laws of 21st June, 2005 (the “Laws”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3rd June, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered

into by Luxembourg and certain dependent and associated territories of EU Member States (the “Territories”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 20 per cent. and will be levied at a rate of 35 per cent. as of 1st July, 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent.

**(ii) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23rd December, 2005, as amended (the “Law”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

**FRANCE**

*The following is a summary addressing only the French compulsory withholding tax treatment of income arising from the Notes. This summary is (i) based on the laws and regulations in full force and effect in France as at the date of this Base Prospectus, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared on the assumption that the Issuer and the Guarantor are no French residents for French tax purposes and are not acting from a French branch or permanent establishment in connection with the Notes. Investors should be aware that the statements below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisors so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Notes.*

All payments by the Issuer and the Guarantor in respect of the Notes will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

The EC Council Directive 2003/48/EC on the taxation of savings income has been implemented into French law under article 242 *ter* of the French tax code (*Code général des impôts*).

## GERMANY

At present, there is no legal obligation for the Issuer as issuer of the Notes to deduct or withhold any German withholding tax (*Quellensteuer*) from payments of interest, other ongoing payments, principal and gains from the disposition, redemption or settlement of the Notes or Coupons to the holder of any Note or Coupon.

However, a German branch of a German or non-German bank (*Kreditinstitut*) or financial services institution (*Finanzdienstleistungsinstitut*), a German securities trading company (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (each a Disbursing Agent, *auszahlende Stelle*) which term may include the Issuer if acting as Disbursing Agent may be obliged to withhold German withholding taxes on payments of interest, on other ongoing payments, on repayments of capital and on gains from the disposition, redemption or settlement of the Notes or Coupons.

Further, income and capital gains derived from the Notes or Coupons are generally subject to German personal or corporate income tax (*Einkommensteuer, Körperschaftsteuer*) for German tax-resident holders of the Notes or Coupons and may - under certain circumstances (e.g. in case of a German permanent establishment of the holder) - be subject to German tax for non-German tax resident holders of the Notes or Coupons. In addition, if the Notes or Coupons form part of a German trade or business, income and capital gains are generally also subject to German trade tax (*Gewerbesteuer*).

All tax implications can be subject to alteration due to future law changes, possibly with retroactive or retrospective effect.

Prospective investors are recommended to consult their own advisors as to the tax consequences of an investment in the Notes, also taking into account the taxation in the holder's country of residence or deemed residence.

## ITALY

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

### *Tax treatment of Notes*

Legislative Decree No. 239 of 1st April, 1996, as subsequently amended, (the "Decree No. 239") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value.

Where Notes have an original maturity of at least 18 months and an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the "*risparmio gestito*" regime – see **Capital Gains Tax**

below), (ii) a non commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 12.50 per cent. In the event that Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the relevant Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

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

Under the current regime provided by Law Decree No. 351 of 25th September, 2001 converted into law with amendments by Law No. 410 of 23rd November, 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8th August, 2003, payments of interest in respect of Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24th February, 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25th January, 1994 are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "Fund") or a SICAV, and the relevant Notes are held by an authorized intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period, subject to an ad hoc substitute tax applicable at a 12.50 per cent. rate.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5th December, 2005) and Notes are deposited with an authorised intermediary, interest, premium and other income relating to such Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11.00 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an "Intermediary").

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which such Notes are deposited.

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

If the Notes are issued for an original maturity of less than 18 months, the *imposta sostitutiva* applies at the rate of 27 per cent. The 27 per cent. *imposta sostitutiva* is also applied to any payment of

interest or premium relating to such Notes made to (i) Italian pension funds, (ii) Italian Funds and (iii) Italian SICAVs.

#### *Early Redemption*

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of such Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

#### *Atypical securities (notes not principal protected)*

Should the Final Terms not provide for the redemption of the Notes at least at their par value, the Notes should be qualified as “*atypical securities*”, with a consequent different applicable tax treatment; in particular, pursuant to Article 8 of Law Decree No. 512 of 30th September, 1983, interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) are subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value.

The 27 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

The withholding tax is applied by Italian tax resident entities entrusted for payment of interest and proceeds or involved in the re-purchase or trading of the Notes.

#### *Non-Italian Resident Noteholders*

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to Notes provided that, if Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

#### *Payments made by a non resident Guarantor*

With respect to payments made to Italian resident Noteholders by a non-Italian resident Guarantor, in accordance with one interpretation of Italian tax law, any such payment made by the Italian non resident Guarantor could be treated, in certain circumstances, as a payment made by the relevant Issuer and would thus be subject to the tax regime described in the previous paragraphs of this section.

#### *Capital Gains Tax*

Any gain obtained from the sale or redemption of Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the relevant Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the relevant Notes are connected.



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

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

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

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.50 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.50 per cent. substitute tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5th December, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes are not subject to Italian taxation, provided that the relevant Notes (i) are traded on regulated markets, or (ii) if not traded on regulated markets, are held outside Italy.

Capital gains realised by Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24th February, 1998, as amended and supplemented, or pursuant to Article 14-bis of Italian Law No. 86 of 25th January, 1994, on the Notes are not taxable at the level of the real estate funds.

#### *Inheritance and gift taxes*

Pursuant to Law Decree No. 262 of 3rd October, 2006, ("Decree No. 262"), converted into Law No. 286 of 24th November, 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding EUR 100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

#### *Transfer Tax*

Article 37 of Law Decree No 248 of 31st December, 2007, ("Decree No. 248") converted into Law No. 31 of 28th February, 2008, published on the Italian Official Gazette No. 51 of 29th February, 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30th December, 1923, as amended and supplemented by the Legislative Decree No. 435 of 21st November, 1997.

Following the repeal of the Italian transfer tax, as from 31st December, 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of EUR168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

#### *Implementation in Italy of the EU Savings Directive*

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18th April, 2005 (the "Decree No. 84"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is

transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## **SPAIN**

*The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, without prejudice to any amendments introduced at a later date and implemented with retroactive effect. This is not intended to be legal or tax advice. This section does not constitute a complete description of all tax issues that may be relevant in making the decision to invest in the Notes or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the Notes and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective Noteholders should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Spanish tax law, to which they may be subject.*

### **Individuals with Tax Residence in Spain**

#### *Personal Income Tax*

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish Noteholders may receive under the Notes will be subject to Spanish taxation.

Both interest periodically received, if any, and income arising on the disposal, redemption or reimbursement of the Notes obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties).

Both parts of income will be included in the savings part of the taxable income subject to Personal Income Tax at the two new tax rates. Financial income up to EUR 6,000 will be taxed at a rate of 19 per cent. and the excess over such amount will be subject to a rate of 21 per cent.

Spanish Noteholders shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any.

Income arising on the disposal, redemption or reimbursement of the Notes will be calculated as the difference between (a) their disposal, redemption or reimbursement value and (b) their acquisition or subscription value. Costs and expenses effectively borne on the acquisition and transfer of the Notes may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Likewise, expenses related to the management and deposit of the Notes, if any, will be tax deductible, excluding those pertaining to discretionary or individual portfolio management.

Losses that may derive from the transfer of the Notes cannot be offset if the investor acquires homogeneous securities within the two month period prior or subsequent to the transfer of the Notes, until he/she transfers such homogeneous securities.

Additionally, tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Notes, if any.

### *Spanish Inheritance and Gift Tax*

Spanish Inheritance and Gift Tax is levied on transfers of Notes upon death or by gift to Spanish tax resident Noteholders, with the taxpayer being the transferee. General tax rates currently range from 7.65 to 81.60 per cent., although the tax situation may vary depending on any applicable regional tax laws.

### *Spanish Wealth Tax*

Spanish tax resident individuals are subject to an annual Wealth Tax on 31 December on their total net wealth, regardless of the location of their assets or of where their rights may be exercised.

However, according to Law 4/2008, of 23 of December, taxpayers benefit from a 100% tax credit on their Wealth Tax liability as from 2008. This in practical terms means that Spanish tax resident individuals are effectively tax exempt on Wealth Tax. They do not have either the obligation to file the annual tax return as a result of this change.

### **Legal Entities with Tax Residence in Spain**

#### *Corporate Income Tax*

Both interest periodically received, if any, and income arising on the disposal, redemption or reimbursement of the Notes obtained by entities which are tax resident in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate is currently 30 per cent. However small sized companies (those companies whose net business income is less than EUR8,000,000) could benefit from the reduced tax rate of 25 per cent on the first EUR 120,202.41 of their taxable profits. In addition to this and for the tax years starting in 2010 and 2011, companies with a net business income of less than EUR5,000,000 and an average staff of less than 25 employees could benefit from the reduced rate of 20 per cent. on the first EUR120,202.41 of their taxable profits, and any profits in excess of this amount would be subject to the tax rate of 25 per cent. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Notes, if any.

#### **Individuals and Legal Entities with no Tax Residence in Spain**

A non-resident Noteholder who has a permanent establishment in Spain to which the investment in the Notes is effectively connected, is subject to Spanish Non-Residents' Income Tax on any income under the Notes including both interest periodically received, if any, and income arising on the disposal, redemption or reimbursement of the Notes. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to resident corporate income taxpayers.

#### *Spanish Withholding Tax*

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the Notes or acts as manager on the collection of any income under the Notes, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the Notes.

The current withholding tax in Spain is 19 per cent. Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish resident individuals, or against Spanish final Corporate Income Tax liability, in the case of Spanish corporates, or against Non Residents Income Tax, in the case of Spanish permanent establishments of non resident entities. However, Noteholders who are Corporate Income Taxpayers or Non Residents Income Taxpayers acting through a permanent establishment in Spain can benefit from a withholding tax exemption when the Notes are listed in an OECD official stock exchange.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the regulations of Spanish Personal Income Tax and Corporate Income Tax when intervening in the transfer or reimbursement of the Notes.

#### *Indirect Taxation*

The acquisition, transfer, redemption, reimbursement and exchange of the Notes will be exempt from Transfer Tax and Stamp Duty as well as Value Added Tax.

### **UNITED KINGDOM**

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

#### ***Interest on the Notes***

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

However, Noteholders may wish to note that, in certain circumstances, HM Revenue and Customs ("HMRC") has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder, or who either pays amounts payable on the redemption of Notes to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5th April, 2011. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

### **EU SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain

other agreements relating to information exchange with certain other countries). Until 31st December, 2009, Belgium also operated a transitional withholding tax system as provided above. By two Royal Decrees dated 27th September, 2009 and published in the Belgian Official Gazette (*Belgisch Staatsblad/Moniteur Belge*) on 1st October, 2009, the Belgian State elected to abandon the transitional withholding system and provide information in accordance with the EU Savings Directive as from 1st January, 2010. A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

On 15th September, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13th November, 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament expressed its opinion on this proposal on 24th April, 2009 and the Council adopted unanimous conclusions on 9th June, 2009 relating to the proposal. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (as modified and/or supplemented and/or restated from time to time the "Programme Agreement") dated 15th September, 2009 agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Programme Agreement, the Issuer and the Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries. None of the Issuer, Guarantor and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Guarantor and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

In particular (but without limiting the generality of the above), subject to any amendment which may be agreed with the Issuer and the Guarantor in respect of the issue of any Tranche, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, to comply with the following provisions except to the extent that, as a result of any change in, or the official interpretation of, any applicable laws and/or regulations, non-compliance would not result in any breach of the applicable laws and/or regulations.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or

to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each issuance of Index Linked Notes, Equity Linked Notes, Commodity Linked Notes, Currency Linked Notes, Inflation Linked Notes, Credit Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes 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, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or



(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (e) above shall require the Issuer or any Dealer 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 Notes to the public” in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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 includes any relevant implementing measure in each Relevant Member State

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) *Offer to the public in France:*

it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("AMF"), on the date of its publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the base prospectus all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

(b) *Private placement in France:*

in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, and/or (c) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, Articles L.411-1, L.411-2, and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

## The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes with a maturity of less than 12 months will either have a minimum denomination of EUR50,000 or be offered in or outside the Netherlands only to professional market parties as defined in the Financial Supervision Act (*Wet op het financieel toezicht*) and the decrees issued pursuant thereto.

Pursuant to the Netherlands Savings Certificates Act (*Wet inzake spaarbewijzen* or the "Savings Certificates Act") of 21st May, 1985, any transfer or acceptance of Notes which falls within the definition of savings certificates (*spaarbewijzen*) in the Savings Certificates Act is prohibited unless the transfer and acceptance is done through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. The aforesaid prohibition does not apply (i) to a transfer and acceptance by natural persons not acting in the course of their business of profession and (ii) to the issue of Notes qualifying as savings certificates to the first holders thereof. If the Savings Certificates Act applies, certain identification requirements in relation to the issue of, transfer of, or payment on Notes qualifying as savings certificates have to be complied with. The Savings Certificates Act is not applicable to the issue and trading of Notes qualifying as savings certificates, if such Notes are physically issued outside the Netherlands and are not immediately thereafter distributed within the Netherlands in the course of primary trading.

## Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the “Financial Services Act”) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the “Banking Act”); and
- (b) in compliance with the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

***Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.***

## Czech Republic

No permit for the issue of the Notes has been obtained (including the obtaining of the approval of the terms and conditions of the Notes) from the Czech National Bank under Act of the Czech Republic No. 190/2004 Coll., on Bonds (the “Bonds Act”). No action has been taken (including the obtaining of the prospectus approval from the Czech National Bank and the admission to trading on a regulated market (as defined in Section 55 of the Act of the Czech Republic No. 256/2004 Coll., on Conducting Business in the Capital Market (the “Capital Market Act”)) for the purposes of the Notes to qualify as listed securities within the meaning of Section 2(i)(l) of the Capital Market Act.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it has not offered or sold, and will not offer or sell, any Notes in the Czech Republic through a public offering, being – subject to several exemptions set out in the Capital Market Act – any communication to a broader circle of persons containing information on the securities being offered and the terms under which they may acquire the securities and which are sufficient for the Investor to make a decision to subscribe for, or purchase, such securities.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, with the Issuer and each other Dealer that it has complied with and will comply with all the requirements of the Capital Market Act and the Bonds Act and has not taken, and will not take, any action which would result in the Notes being deemed to have been issued in the Czech Republic, the issue of the Notes being classed as “accepting of deposits from the public” by the Issuer in the Czech Republic under Section 2(2)(a) of Act of Czech Republic No.21/1992 Coll., on Banks (as amended) (the “Banks’ Act”) or requiring a permit, registration, filing or notification to the Czech National Bank or other authorities in the Czech Republic in respect of the Notes in accordance with the Capital Markets Act, the Bonds Act, the Banks’ Act or the practice of the Czech National Bank.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, with the Issuer and each other Dealer that it has complied with and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Notes.

### **Poland**

No permit has been obtained from the Financial Supervisory Authority (“FSA”) in relation to the issue of the Notes nor has the issue of the Notes been notified to the FSA in accordance with applicable procedures. Accordingly, the Notes may not be offered in the Republic of Poland (“Poland”) in the public manner, defined in the Polish Act on Public Offerings, the Conditions Governing the Introduction Financial Instruments to Organised Trading System and Public Companies dated 29th July, 2005 (as amended) as an offering to sell or a purchase of securities, made in any form and by any means, if the offering is directed at 100 or more people or at an unnamed addressee (“Public Offering”). Each Dealer has confirmed, and each further Dealer appointed under the Programme will be required to confirm, that it is aware that no such permit has been obtained nor such notification made and has represented, and each further Dealer appointed under the Programme will be required to represent, that it has not offered, sold or delivered and will not offer, sell or deliver the Notes in Poland in the manner defined as Public Offering as part of their initial distribution or otherwise to residents of Poland or on the territory of Poland. Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the acquisition and holding of the Notes by residents of Poland may be subject to restrictions imposed by Polish law (including foreign exchange regulations) and that the offers and sales of the Notes to Polish residents or within Poland in secondary trading may also be subject to restrictions.

### **Republic of Slovenia**

No action shall be taken by the Dealers which might be considered a public offering, public reoffering or organisation of trading of Notes in the Republic of Slovenia or which might be regarded as being taken with an aim to create a wrong or misleading information or tradability of price of the Notes. Consequently, the Notes shall not, in any way, be offered to the public in the Republic of Slovenia nor shall any action be taken that would constitute the offering of such securities to an indefinite group of persons in the Republic of Slovenia or the advertising or organisation of trading thereof or such other activities.

### **The Grand Duchy of Luxembourg**

In addition to the cases described in the Public Offer Selling Restrictions under the Prospectus Directive in which each Dealer can make an offer of Notes to the public in a Relevant Member State

(including the Grand Duchy of Luxembourg) (“Luxembourg”), each Dealer can also make an offer of Notes to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10th July, 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the “Prospectus Directive”) into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de surveillance du secteur financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the “CO”) or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **Taiwan**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan, the Republic of China through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of any Notes in Taiwan, the Republic of China.

**Republic of Singapore**

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “Securities and Futures Act”). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in the Republic of Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

**Korea**

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act. Accordingly, each Dealer has represented and agreed, and each new Dealer further appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, directly or indirectly, in Korea or to any Korean resident (as such term is defined in the Foreign Exchange Transaction Law and its Enforcement Decree and Regulation of Korea), except as otherwise permitted under applicable Korean laws and regulations.

## GENERAL INFORMATION

### Authorisation

The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Management Board of the Issuer dated 27th September, 2000, 18th October, 2001, 10th September, 2002, 30th September, 2003, 19th October, 2004, 31st May, 2005, 26th September, 2006, 15th May, 2007, 18th September, 2007, 9th September, 2008, 9th September 2009 and 5th July, 2010 and the giving of the Guarantee has been authorised by resolutions of the Guarantor's Executive Committee dated 20th October, 2000, 28th September, 2001, 10th September, 2002, 30th September, 2003, 19th October, 2004, 31st May, 2005 and 19th September, 2006, 15th May, 2007, 18th September, 2007, 9th September, 2008, 8th September, 2009 and 15th June, 2010.

### Listing and admission to trading of Notes on the Luxembourg Stock Exchange

Application has been made to the CSSF for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of publication of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available during normal business hours at the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg (where applicable, with an English translation thereof):

- (i) the constitutional documents of the Issuer and the constitutional documents of the Guarantor; and
- (ii) the Programme Agreement, the Agency Agreement (including as Schedules the forms of the Temporary Global Note, the Permanent Global Note, the Definitive Note, the Receipt, the Coupon and the Talon), the Guarantee and the Deed of Covenant.

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and during normal business hours at the registered office of the Issuer:

- (i) a copy of this Base Prospectus;
- (ii) the audited annual non-consolidated financial statements of the Issuer in respect of the financial years ended 31st December, 2009 and 31st December, 2008 and the audited annual consolidated financial statements of the Guarantor in respect of the financial years ended 31st December, 2009 and 31st December, 2008; and
- (iii) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Notes which are listed on the Luxembourg Stock Exchange or offered in a Member State of the European Economic Area in circumstances where a prospectus

is required to be published under the Prospectus Directive (whether or not listed on the Luxembourg Stock Exchange).

Copies of each Final Terms (together with the relevant Base Prospectus) relating to Notes which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be available for viewing in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes (together with the relevant Base Prospectus) will only be available for viewing by a holder of such Notes upon production of evidence satisfactory to the Issuer, or the Paying Agent, as the case may be, as to the identity of such holder.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms. Euroclear and Clearstream, Luxembourg are the entities in charge of keeping the records.

The address of Euroclear is 3 Boulevard du Roi Albert III, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg.

### **Conditions for Determining Price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been:

- (a) no significant change in the financial or trading position of the Issuer or the Guarantor or the Guarantor and its subsidiaries as a whole since 31st December, 2009; and
- (b) no material adverse change in the financial position, business or prospects of the Issuer, the Guarantor or the Guarantor and its subsidiaries as a whole since 31st December, 2009.

### **Litigation**

#### **KBC IFIMA N.V.**

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.

#### **KBC Bank NV**

This section concerns material litigation to which KBC Bank or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Bank or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of



the company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the corporation, members of the board or management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, management does not believe that the liabilities arising from these claims will adversely affect KBC Bank's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

### ***Judicial inquiries and criminal proceedings***

An inquiry was instituted in mid-1996 by the Belgian judicial authorities relating to the alleged co-operation by (former) directors, managers or members of staff of KBC Bank NV and Kredietbank SA Luxembourgeoise ("KBL") in tax evasion committed by customers of KBC Bank and KBL. The investigation was based on confidential information believed to have been stolen by former KBL employees who had been dismissed in 1994 for embezzlement.

This inquiry ended in October 2000 and resulted in eight (former) directors, managers and members of staff of KBC Bank and twenty-seven (former) directors, managers and members of staff of KBL being placed under suspicion.

On 11th January, 2008, the Chambers section of the Brussels Court of First Instance (the *Raadkamer*) has decided to refer finally just 11 people previously placed under suspicion in this case to the criminal court for trial. All the other persons placed under suspicion have had charges dismissed against them because the charges were insufficient or the period of prescription has expired. On 24th September, 2008 the court of Appeal confirmed the judgment rendered on 11th January, 2008 with regard to the (former) directors, managers or members of staff of KBC Bank and KBL. On 3rd April, 2009 the case was brought before the Brussels Court of First Instance (the *correctionele rechtbank*).

In its judgment of 8th December, 2009 the Brussels Court ruled that the criminal proceedings were inadmissible. The Court judged that, given the extraordinary and doubtful circumstances in which the documents submitted by the public Prosecutor came into the hands of the judicial authorities, they could not be used as evidence in legal proceedings. On 10th December, 2009 the Prosecutor appealed the decision. The first hearing before the Court of Appeal was scheduled on 26th March, 2010 and several hearings are scheduled in the second half of the year.

From late 1995 until early 1997, KBC Bank and KB Consult NV ("KB Consult") were involved in the sale of "cash companies" to various purchasers. A "cash company" is characterised by the fact that substantial majority of the assets consist of accounts receivable, fixed financial assets, cash and other highly liquid assets. KB Consult acted as an intermediary between the seller and the purchaser of the cash companies. The involvement of KBC Bank differed from sale to sale, but generally related to the handling of payments and the granting of loans. The transfer of a cash company is in principle a legal transaction. However, in March 1997, KBC Bank and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KBC Bank and KB Consult immediately took the necessary measures to prevent any further involvement with these parties. The activities of KB Consult were subsequently wound up. KBC Bank and KB Consult were summoned to court in 28 cases. In one lawsuit the claim of the Belgian State was dismissed and the judgment is definite. Subsequently the provision for this case was offset in the accounts. KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 47.3 million (*status 31st March, 2010*) has been constituted to cover the potential impact of any liability with respect to these actions.

Not only KB Consult but also KBC Bank and KBC Group were summoned before the Chambers section of the Court of First Instance in Bruges on 25th February, 2009. The charges against the aforesaid KBC entities regard only use of false documents. Ninety other parties, mostly sellers of “cash companies” are indicted of various crimes with regard to tax fraud. The trial is postponed indefinitely.

KBC Group, two managers and one account manager of KBC Bank were summoned before the Chambers section of the Court of First Instance in Brussels on 8th January, 2010. The charges brought by a civil party against KBC Group are money laundering, and with respect to the three involved persons of KBC Bank money laundering and infringement of the company act. The origin is the transfer of a cash company in May 1997 in the Group Sara Lee with regard to the company commercially known as Douwe Egberts for approximately EUR 125 million. The buyers turned out to have acted fraudulently. Eighteen other parties, consisting of buyers and sellers of the “cash company”, companies as well as directors, members of staff and advisors, the LGT Bank Liechtenstein Ltd. are indicted of various crimes: forgery, falsification of the accountancy, fraudulent bankruptcy, infringements of the company act, money laundering, tax infringements and criminal organisation. However the Prosecutor states himself that the prosecution is time barred on 20th June, 2007 with regard to KBC Group and the three involved persons of KBC Bank since the disclosure made by KBC Bank on 20th June, 20, 1997 about the unusual features of the transactions to the authorities.

The hearings were already postponed several times and the next hearing is scheduled on 1st October, 2010.

In 2003, an important case of fraud perpetrated by an employee, Atilla Kulcsár, involving about EUR 140.6 million came to light at K&H Equities in Hungary. Orders and portfolio statements of the clients were forged. Many clients suffered substantial losses in their portfolio as a result of unauthorised speculation and the misappropriation of funds. On 28th August, 2008 a Budapest court sentenced Atilla Kulcsár to eight years imprisonment and a fine of 230 million forints. The court acquitted Tibor E. Rejto, former CEO of K&H Bank, who had also been charged with embezzlement as an accomplice to Kulcsár. Other people involved were sentenced to severe punishments. The case is pending before the Court of Appeal.

Numerous civil claims are pending. Some of the civil claims have been settled either by agreement or by arbitration awards. In spite of the forgery most of the arbitration awards consider the portfolio statements to show the clients’ true balances. In some awards, the Arbitration Court and the Metropolitan Court have also accepted some evidence on the account histories of the claimants, which resulted in lower amounts being awarded than originally claimed by the clients.

Provisions have been set aside at K&H Equities. The most important case, DBI Kft. (“Betonut”), is still pending before the Municipal Court and decided to consider the claim as a claim for damages under the securities act and the client account contract. Written arguments are exchanged.

In June 2007, KBC Group was placed under suspicion by an investigating magistrate in Brussels in an alleged case of fraud and tax evasion by a customer, who is active in the real estate sector. This matter concerns the financing by KBC Bank of an equity transaction of a real estate company.

KBC is convinced that both it and its employees followed the Bank’s internal procedures to combat money laundering and fraud and complied with legal and regulatory requirements in this case.

On 12th February, 2010 the Prosecutor demanded the Chambers section of the Brussels Court of First Instance (the *Raadkamer*) not to prosecute KBC Bank before the Court of First Instance (the *correctionele rechtbank*). There is no scheduled hearing up to now

On 24th July, 2008, KBC Bank and an employee of a branch in Brussels were summoned together with Giamal Aldeib, a Lybian businessman, to appear before the Brussels Court of First Instance (the *correctionele rechtbank*) on 12th September, 2008. KBC Bank and its employee are charged for use of forged documents and money laundering. The Prosecutor is demanding the confiscation of approximately EUR 2.3 million and USD 1 million. The criminal file reveals that the main suspect has swindled several Belgian casinos out of huge credit amounts for gambling by issuing many cheques drawn on international banks. It is not very clear why KBC Bank and its employee are being pursued, unless for money transfers from other banks and cash transactions. In any event, neither KBC Bank nor its employees were aware of any illegal origin until the procedures to combat money laundering and fraud revealed suspicious transactions that led to a disclosure to the competent authorities. No international inquiries were ordered by the Prosecutor as to check the origin of money transfers or the unpaid cheques. The case has been postponed several times on request of the Prosecutor.

KBC is convinced that both it and its employees have always followed the Bank's internal procedures to combat money laundering and fraud and complied with legal and regulatory requirements in this case.

On 25th March, 2010 the court rendered a partial verdict: the bank's employee was acquitted for all charges, the bank is acquitted for the charge of use of forged documents and the court asks the Prosecutor to carry out further investigations regarding Giamal Aldeib and his economic activities. The next hearing is scheduled on 1st September, 2010.

### ***Other litigation***

On 19th June, 2000 ČSOB concluded an "Agreement on Sale of Enterprise" with another Czech bank, IPB, which had been placed under forced administration on 16th June, 2000. This agreement was approved by the Czech National Bank ("CNB"). In connection with the acquisition by ČSOB of the Enterprise of IPB (IPB Enterprise), the Czech Ministry of Finance (acting on behalf of the Czech Republic) entered into an agreement with and provided a state guarantee to ČSOB, and the CNB also entered into an indemnity agreement with ČSOB. The purpose of these two agreements is, *inter alia*, to ensure a zero net asset value and to protect ČSOB against (i) losses existing as of the date of the sale of the IPB Enterprise as revealed by extraordinary audits of the IPB Enterprise carried out after the closing of the acquisition of the IPB Enterprise by ČSOB and (ii) damages incurred by ČSOB as a result of the acquisition of the IPB Enterprise (state guarantees).

ČSOB is party (claimant/plaintiff or defendant) to a number of civil and criminal actions that were triggered by the acquisition of the IPB Enterprise. These actions relate to alleged off-balance sheet assets and legal actions of former IPB management, various attempts to contest the take-over of IPB Enterprise by ČSOB, the rescue and restructuring of IPB Enterprise and the state aid provided in connection with the rescue and restructuring of the IPB Enterprise.

As a result of the foregoing, Nomura Principal Investment Plc ("Nomura") has filed a complaint against ČSOB and KBC Bank for unfair competition. Nomura alleges that (i) ČSOB and KBC Bank (with a view to securing the market position of ČSOB and redirecting state aid from IPB) acted in bad faith and attempted to influence the Czech government and the CNB to ensure that IPB did not receive state aid or any other type of rescue package and (ii) the IPB enterprise was not sold to an investor in a transparent tender procedure. Nomura demanded, *inter alia*, that the defendants be jointly obliged to pay Nomura CZK 31.5 billion and to reimburse Nomura for the alleged material detriment suffered by it as a result of the conduct of the ČSOB and KBC Bank. On 24th June, 2009, the Czech court dismissed the claim by Nomura. Since the court failed to award ČSOB and KBC appropriate costs, both companies filed an appeal with respect to legal costs of the proceedings. In

December 2009 the High Court awarded CSOB and KBC each CZK 6 mio. These proceedings are now fully closed.

In February 2007, the CNB requested that ČSOB set aside provisions against the 'realistic possibility' that ČSOB might lose several disputes in IPB-related claims. ČSOB responded that these issues are fully covered by the state guarantees and that creating provisions would be redundant and in contradiction of international accounting standards.

On 13th June, 2007 ČSOB has filed a Request for Arbitration against the Czech Republic for CZK 1.7 billion (approximately EUR 62.3 million) plus interest as a result of the failure of the Czech Republic to reimburse ČSOB in connection with the J. Ring-case. Article 2.5 of the Agreement and State Guarantee provides that, in the event ČSOB has to pay back to the CKA (a state owned financial institution facilitating the restructuring of the Czech economy by purchasing bad loans) the consideration for any item of the IPB enterprise returned by the CKA to ČSOB, the Czech Republic has to reimburse ČSOB for the full amount in order to ensure a zero net asset value. As the Czech Republic fails to pay the amount of the consideration in the J. Ring-case to ČSOB, although the J Ring items in question have been transferred by CKA to IPB on the basis of an arbitral award, ČSOB has had to start the aforementioned arbitration proceedings.

In its answer in which it presented its defence in this arbitration proceeding, the Czech Republic asserted in July 2007 a counter-claim of CZK 26.7 billion (approximately EUR 1 billion). Having reviewed this claim and the underlying arguments together with its external counsel, ČSOB believes that this claim is without merit and expects the Arbitral Tribunal not to award any amounts to the Czech Republic on the basis of this counterclaim.

An award is expected to be issued by the end of 2010.

By notice dated 21st March, 2008 CNB instructed CSOB to effectively remove the J Ring receivable (CZK 1.65 billion) against the CZ Ministry of Finance from its books. CSOB strongly disagreed with this decision of the CNB and had filed an appeal against this first instance decision on 10th April, 2008.

On appeal, the first instance decision was cancelled for formal reasons on 26th June, 2008. As the J Ring case not only falls under the State Guarantee Agreement with the CZ Ministry of Finance but also under the CNB Guarantee Agreement, CSOB decided to register the claim on the CZ Ministry of Finance and/or the CNB. However, by notice dated 18th November, 2008, the CNB instructed CSOB again to remove the said J RING receivable from its books.

CSOB has launched an appeal against this decision. On 30th April, 2009 the CNB Banking Board decided to fully confirm the earlier CNB decision.

CSOB again filed a court action with the administrative court on 13th July, 2009 against this decision.

In March 2000, Rebeo (currently Almafin Real Estate Services and Trustimmo), two former subsidiaries of former Almafin, currently KBC Real Estate, a Belgian subsidiary of KBC Bank were summoned, and four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), together with, before civil court in Brussels by the Belgian State, Finance Department, for the non-payment of approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij . In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation is pending. However Broeckdal Vastgoedmaatschappij

contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

The civil lawsuit pending in Brussels has been suspended pending a final judgment in the tax lawsuit in Antwerp.

A provision of EUR 25.6 million (*status 31st March, 2010*) has been reserved to cover the potential impact of liability with respect to these actions. In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was adjudged bankrupt by the court of 's-Hertogenbosch in the Netherlands. In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned Deloitte & Touche as the auditor of Broeckdal Vastgoedmaatschappij before the civil court in Brussels in order to indemnify the former against all judgments. In November 2008 Mubavi België (currently BeZetVe) was also adjudged bankrupt by the commercial court in Antwerp.

On a proposal by the Polish Organization of Commerce and Distribution ("POHiD") in Warsaw, the Office for Competition and Consumer Protection ("UOKiK") instituted legal proceedings against the Polish Banks Association, VISA and MasterCard and twenty Polish banks, including Kredyt Bank S.A., issuing payment cards in Poland. On 29th December, 2006, the President of the UOKiK rendered a decision by which Kredyt Bank and other banks were accused of practices restricting competition and breaching the ban set forth in art. 81 (1) of the Treaty establishing the European Community and in art. 5 (1) point 1, of the Competition and Consumer Protection Act, by participating in an agreement to fix the amount of interchange fees collected for transactions made using VISA and MasterCard cards in Poland.

The banks have not been accused of practices restricting competition that consist in the co-ordination of actions to restrict entrepreneurs, which are not parties to such agreements, from accessing the market of services for the settlement of payments by consumers to commercial entities for purchases made using payment cards. Kredyt Bank S.A. was fined approximately PLZ 12.2 million. HSBC Bank Poland S.A. (**HSBC**), based on the actions of its subsidiary Prosper Bank SA, was fined PLZ 192,900, and the proceedings against it were dropped and will not be continued. Because Kredyt Bank sold the shares of Prosper Bank SA to HSBC and agreed to pay all fines imposed on HSBC for the obligations of Prosper Bank existing as of the date of the sale, Kredyt Bank will pay the fine imposed on HSBC.

With regard to the decision of the President of the UOKiK that these banks refrain from anti competitive practices, an enforcement clause has been added to prevent the banks, from the time they receive the decision, from engaging in anticompetitive practices and requiring them to cease applying agreed interchange fees.

On 12th January, 2007, a complaint was filed against the decision of the President of UOKiK to add the sanction clause of immediate enforceability. On 17th January, 2007 and 19th January, 2007, complaints were filed on behalf of HSBC Bank Polska and Kredyt Bank against the decision of the President of UOKiK, to consider participation in the agreement on fixing the amount of interchange fees by VISA, MasterCard and the banks as anticompetitive practice.

On 18th January, 2007, the President of UOKiK rendered a decision by which the banks are jointly obliged to pay POHiD PLZ 157,643 as reimbursement for the cost of the proceedings. Kredyt Bank filed a complaint against the decision, considering it to be groundless.

On 25th August, 2007 the Commercial Court suspended the performance of the UOKiK's decision re. interchange fees. On 12th November, 2008 the Court of Competition Protection issued a judgement stating that banks were not applying practices restricting competition in this matter. On 22nd June, 2009 UOKiK appealed, the bank submitted the Court written arguments. The date of the hearing is still not scheduled.

In March 2008, KBC Group, KBC Bank, KBL and Krediettrust have been summoned to appear before the commercial court in Brussels by the British company Beverly Securities Limited. This company makes reference to business relations that KBC / KBL are said to have had with the Republic of South Africa almost 20 years ago, at the time of apartheid and the trade embargo recommended by the UN.

The company is seeking payment of a substantial commission linked to a business transaction totally foreign to KBC and KBL. In the past it has already tried to obtain payment of this commission from third parties through legal proceedings launched in South Africa and France, where on each occasion the case was dismissed. It is now attempting to obtain payment on the pretext of having opened an account with KBL more than 17 years ago.

Even if it is true that during this period the KBC / KBL group maintained business relations with South Africa, this in no way supports the allegations made in the summons. After a thorough examination carried out on the basis of the documents and archives still available, and having obtained two legal opinions from well-known legal practices, particularly in relation to the embargo, KBC and KBL are reassured of their position and of the fact that they respected all the laws applicable to them at the time.

KBC and KBL consider the complaint to be totally unjustified and they claimed damages from the plaintiff for a frivolous and vexatious action.

A judgment was rendered on 26th March, 2010 whereby the court considered the actions inadmissible and granted damages for the defendants.

Beverly Securities Limited announced its intention to appeal.

On 9th June, 2009 the Antimonopoly Office declared a breach of the Act No. 136/2001 Coll. on Protection of Competition due to the existence of an unwritten agreement restricting competition, because three Slovak banks under which CSOB Bank SR had agreed on termination of the "exchange houses" including Akcenta CZ and so the breach of the Act occurred.

The fine (EUR 3.19 million) is that high because of the following factors: turn-over of the ČSOB at the relevant market, duration of the agreement restricting competition, breach of the Article 81 of the EC Treaty (The Treaty establishing the European Community) and impact of the agreement on the relevant market.

On 24th June, 2009 ČSOB SK filed an appeal against the decision of the Antimonopoly Office with the Board of the Antimonopoly Office of the Slovak Republic.

On 17th December, 2009 ČSOB SK officially received the decision of the Board of the Antimonopoly Office, which confirms the previous decision (existing agreement restricting competition). CSOB SK is preparing a legal proceeding against this decision.

KBC Bank and subsidiaries like K&H Bank and CSOB SK received numerous complaints about CDO notes issued by KBC FP, that were sold to private banking and corporate clients and are downgraded; they claim a buy back of the notes at the original value.

As well for K&H Bank, CSOB SK and KBC Bank Belgium legal opinions from international reputed law offices to assess the legal risk were delivered and studied.

It was decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium numerous settlements were already closed in 2009 with clients in KBC Bank Private Banking and Retail, which represents 97.4 per cent. of the private banking and retail clients involved. In early April, 2010 only few files remain ongoing. As a result of complaints some Corporate Banking files were examined as well. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number settlements were reached.

In Hungary a marketing brochure was used which could be interpreted a guarantee on a secondary market and a misleading comparison with state bonds. In two third of the files a settlement has been reached. A limited number of clients started a lawsuit.

On 1st April, 2009 the Hungarian Financial Supervisory Authority (PSZAF) passed a resolution whereby K&H Bank was ordered to pay a fine of HUF 10,000,000 (approximately EUR 37,000) for breaching the stipulations of the Capital Markets Act.

K&H has filed an appeal against the HCA resolution before the Budapest Metropolitan Court. The first hearing was held on 15th October, 2009 and a hearing was scheduled on 24th April, 2010.

On 10th December, 2009, the Hungarian Competition Authority (“HCA”) passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately 150,000 EUR) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H’s trade in CDO bonds. K&H has in the mean time filed an appeal against the HCA resolution before the Budapest Metropolitan Court.

In CSOB SK a similar governance is put in place and negotiations are ongoing. Settlements were already reached but most of the files are in the stage of negotiations. There are no formal lawsuits.

In June 2009 the Executive Committee of the Belgian Regulator (“CBFA”) ordered the auditor to start investigations about the compliance with the prospectus regulation regarding the selling by KBC Bank of CDO linked instruments. The required information was collected and transferred to the auditor; several questions of the auditor were also answered.

The auditor closed his investigation and the factual findings with regard to the non submission of the term sheets of 13 CDO linked instruments were not challenged by the Bank. The auditor suggested an amicable agreement. The bank replied in principle willing to agree on a settlement. This resulted in a final amicable settlement confirmed by the Executive Committee of the CBFA on 11th March, 2010 whereby KBC Bank agreed to pay a fine of EUR 250,000. This decision has also been published by the CBFA on 15th March, 2010.

### **Statutory Auditors**

The auditors of the Issuer are Ernst & Young Accountants LLP, Prof.Dr.Dorgelolaan 12, 5613 AM Eindhoven, The Netherlands. The auditors of the Issuer are members of the *Nederlands Instituut voor Registeraccountants*. The Issuer’s financial statements for the years ended 31st December, 2008 and 31st December, 2009 and the related auditors’ reports are incorporated by reference. The auditors of the Issuer have no material interest in the Issuer. The auditors of the Guarantor are Ernst & Young Bedrijfsrevisoren BCVBA (*erkend revisor/révisieur agréé*), represented by P. Vanderbeek and/or C. Weymeersch, with offices at De Kleetlaan 2, B-1831 Diegem Brussels. The auditors of the

Guarantor are members of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. The financial statements of the Guarantor for the years ended 31st December, 2008 and 31st December, 2009 have been audited in accordance with Belgian GAAS and resulted, in each case, in an unqualified opinion. The auditors of the Guarantor have no material interest in the Guarantor.

The reports of the auditors of each of the Issuer and the Guarantor are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Base Prospectus.

#### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any assets underlying any Notes constituting Derivative Securities.

#### **Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their affiliates in the ordinary course of business.

#### **Other**

This Base Prospectus prepared in connection with the Notes has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.



## THE ISSUER

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*To the Issuer*

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