



**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)*

**EUR 10,000,000,000**

**Retail Euro Medium Term Note Programme**

*Arranger and Dealer*

**KBC Bank**

Application has been made to the *Commission de Surveillance du Secteur Financier* in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, for the approval of this document as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (as defined herein). According to article 7 (7) of the Luxembourg Act dated 10 July 2005, relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, the *Commission de Surveillance du Secteur Financier* does not assume any responsibility as to the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer or the Guarantor. 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 approval 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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**EUR 10,000,000,000**

**Retail Euro Medium Term Note Programme**

Under this EUR10,000,000,000 Euro Medium Term Note Programme (the "Programme"), KBC Internationale Financieringsmaatschappij N.V. (the "Issuer" or "KBC IFIMA N.V.") may from time to time issue notes that are guaranteed by the Guarantor (the "Notes") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). 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 25 June 2014 as amended and/or supplemented and/or restated from time to time (the "Guarantee") executed by the Guarantor.

The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed EUR10,000,000,000 (or its equivalent in other currencies).

The Notes may be issued on a continuing basis to any Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis and which may include KBC Bank NV acting in its capacity as a Dealer separate from that as a Guarantor (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 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, for the approval of this document as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (the "Prospectus Directive") in respect of the issue by the Issuer of PD Notes (as defined below).

According to article 7 (7) of the Luxembourg Act dated 10 July 2005, relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended, the CSSF does not assume any responsibility as to the economical and financial soundness of the operation or the quality or solvency of the Issuer or the Guarantor. 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 approval 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 of the European Parliament and of the Council on markets in financial instruments as amended (the "MiFID").

The final terms to this Base Prospectus in respect of the issue of any PD Notes (the "Final Terms"), which will specify the applicable terms and conditions of the Notes, will be filed with the CSSF. Copies of the Final Terms in relation to PD Notes to be listed on the official list of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu)

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.

Notes to be issued under the Programme during the period of twelve months from the date of this Base Prospectus which are (a) offered to the public in the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive whether or not such Notes are listed and admitted to trading on any market; or (b) admitted to trading on a regulated market as defined under MiFID (including the regulated market of the Luxembourg Stock Exchange) are hereinafter referred to as the "PD Notes". Any PD Notes which have a denomination of less than EUR100,000 (or its equivalent in any other currency) are hereinafter referred to as "Non-Exempt PD Notes".

PD Notes issued under this Programme may be issued in any denominations of not less than EUR 1,000 and less than EUR 100,000 as agreed between the Issuer and the relevant Dealer(s).

The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any regulated market within the European Economic Area which does not require the publication of a prospectus under the Prospectus Directive ("Exempt Notes"). The CSSF has not reviewed nor approved any information in relation to Exempt Notes.

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 depository (the "Common Depository"), 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 a permanent global Note (a "Permanent Global Note") 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 rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009, as amended, (the "CRA Regulation") will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension reduction or withdrawal at any time by the assigning rating agency.

**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. For a discussion of the risks see "Risk Factors" below. An investment in Notes linked to one or more Reference Items may entail significant risks not associated with investments in a conventional debt security. Such Notes may be principal protected or, alternatively, the principal invested in such notes may be at risk. If the Notes are principal protected, such protection is nevertheless dependent on the Issuer, failing which, the Guarantor complying with its obligations with respect to the Notes. If the Notes are not principal protected, 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.**

*Arranger and Dealer*

**KBC Bank**

The date of this Base Prospectus is 25 June 2014.

**IMPORTANT INFORMATION**

*This section sets out important information relating to the use of this Base Prospectus.*

**IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS**

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”, “U.S.\$” and “USD” refer to United States dollars, those to “£” and “Sterling” refer to pounds sterling, and those to “euro”, “€” and “EUR” 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.

All references in this document to “KBC Bank Group” refer to KBC Bank NV together with its subsidiaries and all references in this document to “Group” refer to KBC Group NV together with its subsidiaries.

References to “Affiliate” in this document, 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.

This Base Prospectus contains or incorporates by reference certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Issuer's or the Guarantor's business strategies, trends in its business, competition and competitive advantage, regulatory changes and restructuring plans.

Words such as **believes, expects, projects, anticipates, seeks, estimates, intends, plans** or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Issuer and the Guarantor do not intend to update these forward-looking statements except as may be required by applicable securities laws.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. A number of important factors could cause actual results, performance or achievements to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (i) the ability to maintain sufficient liquidity and access to capital markets; (ii) market and interest rate fluctuations; (iii) the strength of global economy in general and the strength of the economies of the countries in which the Issuer or the Guarantor conducts operations; (iv) the potential impact of sovereign risk in certain European Union countries; (v) adverse rating actions by credit rating agencies; (vi) the ability of counterparties to meet their obligations to the Issuer or the Guarantor; (vii) the effects of, and changes in, fiscal, monetary, trade and tax policies, financial regulation and currency fluctuations; (viii) the possibility of the imposition of foreign exchange controls by government and monetary authorities; (ix) operational factors, such as systems failure, human error, or the failure to implement procedures properly; (x) actions taken by regulators with respect to the Issuer's or the Guarantor's business and practices in one or more of the countries in which the Issuer or the Guarantor conducts operations; (xi) the adverse resolution of litigation and other contingencies; (xii) the Issuer's or the Guarantor's success at managing the risks involved in the foregoing.

The foregoing list of important factors is not exclusive; when evaluating forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, as well as the other risks identified in this Base Prospectus.

This Base Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are added up, they may not total.

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 applicable Final Terms will (if applicable) contain information relating to any underlying equity security, ETF share, basket of equity securities and/or ETF shares, index, inflation index, equity index, or debt security (each a “Reference Item”) to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in the 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 or component thereof. 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 or component thereof, no facts have been omitted that would render the information reproduced inaccurate or misleading.**

This Base Prospectus is to be read in conjunction with any supplement hereto and all documents which are deemed to be 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. This Base Prospectus may only be used for the purposes for which it has been published.

To the fullest extent permitted by law, any Dealer appointed under the Programme from time to time does not accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Dealer or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. Each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to in this section) which it might otherwise have in respect of this Base Prospectus or any such statement. 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 by the Issuer, the Guarantor or any Dealer 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, the Guarantor or any Dealer.

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 Dealer 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 Dealer to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes issued hereunder shall in any circumstances 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 appointed under the Programme from time to time 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 distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor and the Dealers represent that this Base Prospectus 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 indicated 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 an offer to the public of any Notes or distribution of this Base Prospectus 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 may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom and The Netherlands), see “*Subscription and Sale*” below.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has 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 or in the applicable Final Terms;
- has 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;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;

- understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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.

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## SUMMARY OF THE BASE PROSPECTUS

*This section provides a summary of the key information contained in this Base Prospectus with placeholders for information specific to each tranche of Notes. A summary completed with such issue-specific information will be attached to the Final Terms.*

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the type[s] of Notes and the Issuer and the Guarantor. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the Summary because of the type of Notes, the Issuer and the Guarantor, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of "not applicable".

<b>Section A - Introduction and warnings</b>		
<b>A.1</b>	Introduction and Warnings	<p>This summary should be read as an introduction to the Base Prospectus. Any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the Summary, including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Notes.</p>
<b>A.2</b>	Consent to use the Base Prospectus for subsequent resale or final placement by financial intermediaries and conditions attached to such consent	<p>[Not Applicable. The Issuer does not consent to the use of this Base Prospectus in connection with a Public Offer of Non-Exempt PD Notes by financial intermediaries other than the Dealer[s].]</p> <p>[<i>Consent</i>: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Non-Exempt PD Notes (as defined below) by the Dealer[s], [●], [and] [each financial intermediary whose name is published on the Issuer’s website, (<i>www.kbc.com</i>), and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under the applicable legislation implementing Directive 2004/39/EC (“<b>MiFID</b>”) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>“We, [insert legal name of financial intermediary], refer to the [insert title of relevant Non-Exempt PD Notes] (the “Notes”) described in the Final Terms dated [insert date] (the “Final Terms”) published by KBC Ifima N.V. (the “Issuer”). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [Belgium] [Luxembourg] [and] [The Netherlands] (the “Public Offer”) in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are</i></p>

Section A - Introduction and warnings		
		<p>using the Base Prospectus in connection with the Public Offer accordingly.”.]</p> <p>A “<b>Public Offer</b>” of Non-Exempt PD Notes is an offer of Notes (other than pursuant to Article 3(2) of the Prospectus Directive) in [Belgium] [Luxembourg] [and] [The Netherlands] (the “<b>Public Offer Jurisdictions</b>”) during the Offer Period specified below. Those persons to whom the Issuer gives its consent in accordance with the foregoing provisions are the “<b>Authorised Offerors</b>” for such Public Offer.</p> <p>“<b>Non-Exempt PD Notes</b>” are any Notes which are offered to the public in the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive and have a denomination of less than EUR100,000 (or its equivalent in any other currency).</p> <p><i>Offer Period:</i> The Issuer’s consent referred to above is given for Public Offers of Non-Exempt PD Notes during the period from [●] to [●] (the “<b>Offer Period</b>”).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer’s consent [(in addition to the conditions referred to above)] are such that consent (a) is only valid in respect of the relevant Tranche of Non-Exempt PD Notes; (b) is only valid during the Offer Period; [and] (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Non-Exempt PD Notes in [Belgium] [Luxembourg] [and] [The Netherlands] [and (d) [(specify any other clear and objective conditions attached to the consent which are relevant for the use of the Base Prospectus)] ].</p> <p><b>An investor intending to acquire or acquiring any Non-Exempt PD Notes from an Authorised Offeror will do so, and offers and sales of such Non-Exempt PD Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price allocations and settlement arrangements (the “Terms and Conditions of the Public Offer”). The Issuer will not be a party to any such arrangements (other than dealers) with investors in connection with the offer or sale of Non-Exempt PD Notes and, accordingly, the Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be provided to investors by that Authorised Offeror at the time of the Public Offer. None of the Issuer, the Guarantor or any of the Dealers or other Authorised Offerors has any responsibility or liability for such information.]</b></p>

Section B - Issuer and Guarantor		
<b>B.1</b>	Legal and commercial name of the Issuer	KBC Internationale Financieringsmaatschappij N.V.
<b>B.2</b>	Domicile/ legal form/ legislation/ country of	The Issuer, having its registered office at Watermanweg 92, 3067 GG Rotterdam, is incorporated in The Netherlands as a limited liability company under the laws of The Netherlands.

<b>Section B - Issuer and Guarantor</b>																																												
	incorporation																																											
<b>B.4b</b>	Trend information	Not applicable; there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects.																																										
<b>B.5</b>	Description of the group and the position of the Issuer within the group	<p>The KBC group consists of the KBC Group NV (the holding company) and its wholly owned subsidiaries KBC Bank NV and KBC Insurance NV (the "<b>Group</b>"). KBC Internationale Financieringsmaatschappij N.V. is a wholly-owned subsidiary of KBC Bank NV (the "<b>Guarantor</b>"). The Guarantor and KBC Insurance NV each have a number of subsidiaries, a list of which is available in the Guarantor's 2013 annual report.</p> <p>KBC Bank NV and its subsidiaries (the "<b>KBC Bank Group</b>") is a multi-channel bank that caters primarily to private persons, SMEs and midcaps. Besides its banking activity the KBC Bank Group also has a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland.</p> <p>The Issuer acts as a financing vehicle within the KBC Bank Group.</p>																																										
<b>B.9</b>	Profit forecast or estimate	Not applicable; the Issuer does not make profit forecasts or estimates.																																										
<b>B.10</b>	Audit report qualifications	Not applicable; there are no qualifications in the audit reports on the Issuer's audited financial statements for the years ended 31 December 2012 and 31 December 2013.																																										
<b>B.12</b>	Selected historical key financial information:	<p>The tables below each set out a summary of key financial information extracted from the Issuer's Financial Reports (audited) for the fiscal years ended on 31 December 2012 and 31 December 2013:</p> <p><b><i>Income Statement</i></b></p> <table border="0"> <thead> <tr> <th>Summary of profit and loss account</th> <th><b>2012 (EUR)</b></th> <th><b>2013 (EUR)</b></th> </tr> </thead> <tbody> <tr> <td>Gross margin and other income</td> <td>5,268,611</td> <td>4,691,861</td> </tr> <tr> <td>Total Expenses</td> <td>(528,406)</td> <td>603,501</td> </tr> <tr> <td>Profit before taxation</td> <td>4,740,205</td> <td>4,088,360</td> </tr> <tr> <td>Corporation tax</td> <td>(1,135,676)</td> <td>(1,014,341)</td> </tr> <tr> <td>Net profit for the year</td> <td>3,604,529</td> <td>3,074,019</td> </tr> </tbody> </table> <p><b><i>Statement of Financial Position</i></b></p> <table border="0"> <thead> <tr> <th>Summary of balance sheet</th> <th><b>2012 (EUR)</b></th> <th><b>2013 (EUR)</b></th> </tr> </thead> <tbody> <tr> <td>Total Assets</td> <td>20,279,006,204</td> <td>17,581,347,896</td> </tr> <tr> <td>Total bonds outstanding</td> <td>19,260,678,425</td> <td>17,038,605,545</td> </tr> <tr> <td>Of which maturing within one year</td> <td>2,527,412,828</td> <td>6,736,241,998</td> </tr> <tr> <td>Shareholders' equity</td> <td>12,514,526</td> <td>12,088,545</td> </tr> <tr> <td>Gross interest margin</td> <td>5,111,110</td> <td>4,691,861</td> </tr> <tr> <td>Profit after tax</td> <td>3,604,529</td> <td>3,074,019</td> </tr> <tr> <td>Solvency ratio</td> <td>0.06%</td> <td>0.07%</td> </tr> </tbody> </table>	Summary of profit and loss account	<b>2012 (EUR)</b>	<b>2013 (EUR)</b>	Gross margin and other income	5,268,611	4,691,861	Total Expenses	(528,406)	603,501	Profit before taxation	4,740,205	4,088,360	Corporation tax	(1,135,676)	(1,014,341)	Net profit for the year	3,604,529	3,074,019	Summary of balance sheet	<b>2012 (EUR)</b>	<b>2013 (EUR)</b>	Total Assets	20,279,006,204	17,581,347,896	Total bonds outstanding	19,260,678,425	17,038,605,545	Of which maturing within one year	2,527,412,828	6,736,241,998	Shareholders' equity	12,514,526	12,088,545	Gross interest margin	5,111,110	4,691,861	Profit after tax	3,604,529	3,074,019	Solvency ratio	0.06%	0.07%
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<b>Section B - Issuer and Guarantor</b>		
		<p>Dividends paid out of previous year's profits</p> <p style="text-align: right;">3,500,000      3,100,000</p> <p>There has been no material adverse change in the prospects of the Issuer or the KBC Bank Group since 31 December 2013. There has been no significant change in the financial or trading position of the Issuer or the KBC Bank Group since 31 December 2013.</p>
<b>B.13</b>	Events impacting the Issuer's solvency	Not applicable; there have not been any recent events relevant to the evaluation of the Issuer's solvency since 31 December 2013.
<b>B.14</b>	Dependence upon other group entities	The Issuer is dependent on the Guarantor and other members of the KBC Bank Group servicing debt on-lent by the Issuer as described in Element B.15 below.
<b>B.15</b>	Principal activities	The principal activity of the Issuer is to assist in the financing of the Guarantor, its subsidiaries and associated companies by raising debt to be on-lent to the Guarantor and the other members of the KBC Bank Group.
<b>B.16</b>	Controlling shareholders	KBC Bank NV holds 100 per cent. of the share capital of the Issuer. As KBC Bank NV is a wholly-owned subsidiary of KBC Group NV, the Issuer is indirectly controlled by KBC Group NV and ultimately by the shareholders of KBC Group NV. KBC Group NV's shares are listed on NYSE Euronext Brussels and the Luxembourg Stock Exchange. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.
<b>B.17</b>	Solicited credit ratings	<p><i>Rating of the Issuer:</i> Not Applicable. The Issuer is not rated by any credit rating agency.</p> <p><i>Rating of the Notes:</i> [The rating of the Notes [is] [is expected to be] [●].] [Not Applicable. The Notes are not rated.]</p>
<b>B.18</b>	Description of the Guarantee	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee. Claims in respect of the Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank <i>pari passu</i> 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 <i>pari passu</i> 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>B.19</b>	Information about the Guarantor	
<b>B.19/ B.1</b>	Legal and commercial name of the	KBC Bank NV

<b>Section B - Issuer and Guarantor</b>																										
	Guarantor																									
<b>B.19/ B.2</b>	Domicile/ legal form/ legislation/ country of incorporation	The Guarantor, having its registered office at Havenlaan 2, B-1080 Brussels, was established in Belgium as a bank and operates under the laws of Belgium.																								
<b>B19/ B.4b</b>	Trend information	The latest economic indicators point towards a continuation of the increasingly broad-based economic recovery. The Guarantor's home markets also benefit from this economic recovery, in many cases led by the stronger export dynamics. In the meantime, the risk of a new round of the Euro-crisis has diminished. In part, this is still the favourable result of the ECB's Outright Market Transaction programme of mid-2012 and, more recently, political progress towards a more genuine banking union. Risks include developments in a number of vulnerable Emerging Markets. Apart from economic issues, political conflicts such as in Venezuela, Thailand and in particular in Ukraine remain unsolved.																								
<b>B19/ B.5</b>	Description of the group and the position of the Guarantor within the group	See Element B.5 above.																								
<b>B19/ B.9</b>	Profit forecast or estimate	Not applicable; the Guarantor does not make profit forecasts or estimates.																								
<b>B19/ B.10</b>	Audit report qualifications	Not applicable; there are no qualifications in the audit reports on the Guarantor's audited financial statements for the years ended 31 December 2012 and 31 December 2013.																								
<b>B19/ B.12</b>	Selected historical key financial information:	The tables below set out a summary of key financial information extracted from the Guarantor's audited comprehensive income statements for each of the two years ended, and statements of financial position as at, 31 December 2012 and 31 December 2013:																								
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<b>Section B - Issuer and Guarantor</b>		
		There has been no material adverse change in the prospects of the Guarantor or the KBC Bank Group since 31 December 2013. There has been no significant change in the financial or trading position of the Guarantor or the KBC Bank Group since 31 December 2013.
<b>B19/ B.13</b>	Events impacting the Guarantor's solvency	On 31 December 2013, the KBC Group NV's consolidated total equity amounted to EUR 12.3 billion. This figure included parent shareholders' equity (EUR 11.7 billion) and minority interests (EUR 0.7 billion). On balance, total equity rose by EUR 0.4 billion in 2013, primarily as a result of the inclusion of the annual profit (+ EUR 0.6 billion); payment of the interim dividend to KBC Group NV (- EUR 0.5 billion); and changes in the available-for-sale reserve and cashflow hedge reserve (+ EUR 0.3 billion in total). At year-end 2013, the group's tier-1 ratio under Basel II amounted to 16.2% and its core tier-1 ratio to 13.5%. The common equity ratio under Basel III (fully loaded) came to 12.0%. Since 31 December 2013, the KBC Group NV's consolidated total equity has been positively impact by the placement of a CRD IV-compliant Additional Tier-1 instrument for EUR 1.4 billion to which KBC Group NV subscribed (externally financed by KBC Group NV via the placement of a similar instrument and amount).
<b>B19/ B.14</b>	Dependence upon other Group entities	The Guarantor, as full subsidiary of KBC Group NV, has, besides its banking activity, also a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, the Guarantor is affected by the cash flows from dividends received from these group companies. The Guarantor also functions as funding provider for a number of these group companies.
<b>B19/ B.15</b>	Principal activities	<p>KBC Bank Group is a multi-channel bank that caters primarily to private persons, SMEs and midcaps. Its geographic focus is on Europe. In its two "home" markets (Belgium and certain countries in Central and Eastern Europe), it has important and (in some cases) even leading positions. In these home markets, according to the Strategic Plan, it aims to position itself among the market leaders and in those markets it adopts a general approach. In the rest of the world, KBC Bank Group has a selective presence in certain countries or areas.</p> <p>KBC Bank Group's core business is retail and private bank-insurance (including asset management) in its home markets, though it is also active in services to larger corporations and market activities. Across these markets, KBC Bank Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV), to specialised activities (which are conducted out of specialised departments at head office or specialised KBC Bank Group companies) such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management and leasing.</p> <p>As set out in the Strategic Plan, the KBC Bank Group is refocusing its business on its core bank-insurance activities in Belgium and a number of countries in Central and Eastern Europe (i.e. the home markets of Czech Republic, Slovakia, Hungary and Bulgaria). Therefore, a number of subsidiaries and activities, many</p>

Section B - Issuer and Guarantor								
		of which related to investment banking activities, have been or are planned to be scaled down or sold in the coming years. International corporate lending outside the home markets is being downscaled.						
<b>B19/ B.16</b>	Controlling shareholders	As the Guarantor is a wholly-owned subsidiary of KBC Group NV, it is indirectly controlled by the shareholders of KBC Group NV. KBC Group NV's shares are listed on NYSE Euronext Brussels and the Luxembourg Stock Exchange. At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.						
<b>B19/ B.17</b>	Solicited credit ratings	<p><i>Long-term credit ratings of the Guarantor (as at 25 June 2014):</i></p> <table> <tr> <td>Fitch</td> <td>A-</td> </tr> <tr> <td>Moody's</td> <td>A2</td> </tr> <tr> <td>Standard and Poor's</td> <td>A</td> </tr> </table> <p><i>Rating of the Notes:</i> [The rating of the Notes [is] [is expected to be] [●].] [Not Applicable. The Notes are not rated.]</p>	Fitch	A-	Moody's	A2	Standard and Poor's	A
Fitch	A-							
Moody's	A2							
Standard and Poor's	A							

Section C – Securities		
<b>C.1</b>	Type and class of Notes/ISIN	<p><i>Type:</i> The Notes are [Fixed Rate Notes][and][,][Floating Rate Notes][and][,][Zero Coupon Notes][and][,][Range Accrual Notes][and][,][Index Linked Interest Notes][and][,][Equity Linked Interest Notes][and][,][Inflation Linked Interest Notes][and][,][Currency Linked Interest Notes][and][,][Autocall Notes][and][Fixed][Index Linked][Equity Linked][Currency Linked] Redemption Notes due [●].</p> <p><i>Identification Code:</i> The Notes will be Series Number [●] [(Tranche Number [●])] and will be uniquely identified by the ISIN Code [●] and Common Code [●].</p>
<b>C.2</b>	Currency	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s) at the time of issue. The Notes will be denominated in [●], any Interest Amounts will be payable in [●] and any amount payable on redemption will be in [●].
<b>C.5</b>	Description of restrictions on free transferability of the Notes	Not applicable; the Notes are freely transferable.
<b>C.8</b>	Description of rights attached to the Notes, ranking and	<p>The Notes have terms and conditions relating to, among other matters, the following:</p> <p><i>Interest/Redemption:</i> The Notes entitle the holder to the payment [(a) of any Interest Amounts as set out in more detail below in Elements C.9, C.10 and C.15</p>

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including limitations to those rights	<p>and (b)] on the maturity date of a cash amount as set out in more detail in Elements C.9 and C.15.</p> <p><i>Meetings:</i> The Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their interests generally. Defined majorities can bind all holders of Notes and Coupons whether or not such holders voted on the resolution.</p> <p><i>Governing law:</i> The Notes (except Condition 2(c)), the Guarantee (except Clause 6) and the Coupons are governed by English law. Condition 2(c) of the Notes and Clause 6 of the Guarantee are governed by Belgian law.</p> <p><i>Status:</i> The Notes and Coupons (if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Issuer and <i>pari passu</i> among themselves. Claims on the Guarantee on the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking <i>pari passu</i> with all present and future unsecured and unsubordinated obligations of the Guarantor and <i>pari passu</i> among themselves.</p> <p><i>Events of default:</i> If one or more of the following events occurs and is continuing: (i) default in payment of any principal or any Interest Amounts due in respect of the Notes, continuing for a period of 30 days after the due date; (ii) non-performance or non-observance by the Issuer or the Guarantor of any of their respective other obligations under the Notes or the Guarantee, continuing for a period of 90 days after notice requiring a remedy is given to the Agent by any Noteholder; (iii) events relating to the winding up, insolvency, bankruptcy or similar procedure of the Issuer or the Guarantor (except for a reconstruction or amalgamation where the resulting entity assumes the obligations on the Notes or Guarantee respectively); and (iv) 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 (subject to certain exceptions), then the Notes will become due and payable upon notice being given by the Noteholder.</p> <p><i>Taxation:</i> [(If Condition 11(a) applies) All payments will be made without deduction or withholding on account of tax imposed within any Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such deduction is required by law. In the event that any such deduction is required, the Issuer or the Guarantor will in general be required to pay additional amounts, subject to certain exemptions. The Issuer may early redeem the Notes if it or the Guarantor (if it were required to make a payment under the Guarantee) has or will become obliged to pay additional amounts pursuant to a “Tax Gross-Up” as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction 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 such obligation cannot be avoided by the relevant Issuer or the Guarantor taking reasonable measures available to it (a “<b>Tax Redemption</b>”).][(If Condition 11(b) applies) Neither the Issuer nor the Guarantor shall be liable for any tax, duty, withholding or other payment which may arise in</p>



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connection with the Notes and all payments made by the Issuer or the Guarantor shall be made subject to any such tax, duty, withholding or other payment which may be required.]

*Illegality:* The Issuer may early redeem the Notes if the Calculation Agent determines that the Issuer’s or Guarantor’s obligations under the Notes or Guarantee, as the case may be, or any hedging arrangements relating to the Issuer’s position under such Notes, has or will become unlawful, illegal, or otherwise prohibited in whole or in part.

*[Issuer Call: (If Issuer Call applies)* The Issuer may, at its option, give notice to redeem all of the Notes at their Optional Redemption Amount on any of [●],[●] and [●] (each being an Optional Redemption Date [that coincides with an Interest Payment Date]).]

*[Autocall Early Redemption:* The Autocall Notes will early redeem if the Autocall Variable is [greater than][less than][greater than or equal to][less than or equal to] the product of the Autocall Strike and [●]% (being the Scaling Factor) on any of [●],[●] and [●] (each being an Autocall Observation Date) (an “**Autocall Redemption**”). Notice of the date for redemption (which will coincide with the next following Interest Payment Date being at least five Business Days thereafter or absent such date, the Maturity Date)) shall be given to Noteholders.

The Autocall Variable is the [(where Autocall Variable Averaging applies) mean average of the] [index level][equity price][ETF price][weighted [equity][and][ETF share] basket price][currency exchange rate][s] (the “Autocall Reference Item”) determined for each valuation date relating to a specified Autocall Observation Date. The Autocall Strike is the [(where Autocall Strike Amount applies) amount specified][(otherwise) [(where Autocall Strike Averaging applies) mean average of the] [level][price][weighted basket price][rate] of the Autocall Reference Item determined for each valuation date relating to a specified Autocall Observation Date.]

*[(For Index Linked Notes)* The Calculation Agent may deem a successor index to apply to the Notes if a successor sponsor announces the index or the index is replaced. Further, if the index sponsor intends to modify, or has modified, the formula or methodology of the index or permanently cancels or fails to calculate the index, then the Issuer may (i) ask the Calculation Agent to determine if such event has a material effect on the Notes, in which case it will determine the index level based on the latest applicable formula or substitute the index with a replacement index or (ii) early redeem the Notes at their Early Redemption Amount (an “**Index Modification/Cessation**”). *(If Correction of Index Levels applies)* Subsequent corrections to published index levels may be taken into account for future determinations on the Notes.]

*[(For Index and Equity Linked Notes)* If one or more relevant exchanges don’t open for regular trading or certain market disruption events occur (including the suspension or limitation in trading or other events disrupting or impairing the ability to effect transactions on relevant exchanges) [(if Designated Multi-Exchange Index applies) or the Index Sponsor doesn’t publish the index or a trading disruption, exchange disruption or early closure occurs in respect of a component [equity][or][ETF share]] then the determination of any [Interest

## Section C – Securities

	<p>Amount][,][Redemption Amount][,][Autocall Variable or Autocall Strike] may be postponed and no Interest Amounts or other sum shall be payable as a result of such postponement or, where such amounts are valued by averaging values over different Valuation Dates, the affected Valuation Date may be disregarded for the purpose of the valuation.]</p> <p><i>[(For Equity Linked Notes) [(If Potential Adjustment Events apply) If certain potential adjustment events are declared by a relevant [equity][or][ETF] issuer that have a diluting, concentrative or other effect on the theoretical value of the [equities][or][ETF shares], the Calculation Agent will make appropriate adjustments to the Notes to address such events or, alternatively, replace the relevant [equity][or][ETF share].][(If De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer applies) [Further, if][If] [(1)] a de-listing, merger event, nationalisation and insolvency][ and/or] (2)[ a tender offer] occurs with respect to any referenced [equity][or][ETF share], the Issuer may (i) request the Calculation Agent to determine an appropriate adjustment to be made to the Notes or (ii) early redeem the Notes at their Early Redemption Amount.]</i></p> <p><i>[(For Inflation-Linked Interest Notes) If the inflation index level for any reference month has not been published, the Calculation Agent shall determine the level for the Notes by reference to the actions taken under any specified Reference Bond or by reference to the change in the most recently published inflation index level from the inflation level one year prior to the relevant reference month. Further, the Calculation Agent (i) shall determine a successor inflation index if the inflation index ceases to be, or has not been, published, (ii) shall make adjustments to the Conditions to reflect any rebasing of or modification to the inflation index and (iii) may take into account certain corrections that are published to remedy a manifest error.]</i></p> <p><i>[(For Currency Linked Notes with Currency Disruption Events) If one or more of the applicable currency disruption events have occurred, the Calculation Agent may (i) deduct from the relevant [Interest Amount][and/or][Redemption Amount] certain amounts reflecting costs and expenses arising in connection with such events or make other adjustments to the Notes, (ii) postpone payment of the relevant [Interest Amount][and/or][Redemption Amount] (without any Interest Amounts or other sum being payable as a result of such postponement), (iii) adopt alternative price sources or (iv) early redeem the Notes at their Early Redemption Amount. Where such [Interest Amount][and/or][Redemption Amount] is valued by averaging values over different Valuation Dates, any Valuation Date on which such a Currency Disruption Event has occurred may be disregarded for the purposes of the valuation]</i></p> <p><i>[(If Additional Disruption Events apply) Upon the occurrence of any specified additional disruption event (being [the occurrence at any time of a change in law or regulation affecting any underlying referenced [equity][or][ETF share][component of an [inflation] index] in relation to the Notes or materially increasing the Issuer's costs of performing on the Notes] [or] [a hedging disruption] [or] [an increased cost of hedging] [or] [(for Equity and Index Linked Notes only) [an increased cost of borrowing any referenced [equity][or][ETF share] [comprising the index]] [or] [insolvency proceedings of a referenced</i></p>
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Section C – Securities		
		<p>[equity][or][ETF share] issuer[ of any referenced [equity][or][ETF share] comprising the index] [or] [the inability of the Issuer or its Affiliates to borrow the specified amount of the referenced [equity][or][ETF share] [comprising the index] below the threshold rate][<i>(if an ETF Share is referenced)</i>] [or] [the cross-contamination of a referenced ETF’s assets and the assets of other classes, series or sub-funds of such ETF] [or] [insolvency proceedings of a referenced ETF issuer [or another specified entity related to such ETF issuer] [or] [a modification of the constitutive documents relating to the referenced ETF that affects the value of the related ETF shares or the rights and remedies of a holder of such ETF shares] [or] [regulatory action taken in respect of the referenced ETF or ETF share] [or] [a breach of any strategy or investment guidelines of the referenced ETF that affects the value of the related ETF shares or the rights and remedies of a holder of such ETF shares] and each an “Additional Disruption Event”) the Issuer may (i) require the Calculation Agent to make adjustments (including as to Interest and Redemption Amounts) to the Notes or (ii) early redeem the Notes at their Early Redemption Amount.]</p> <p><i>[(If Alternative Currency Provisions apply)</i> If, as a result of any specified currency disruption event (being (i) any event making it impossible, illegal or commercially impracticable for the Issuer, the Guarantor and/or any of its Affiliates to convert any amount due in respect of the Notes in the foreign exchange markets for [the specified currency], (ii) any event that makes it impossible or commercially impracticable for the Issuer and/or any of its Affiliates to deliver [the specified currency] in relation to a payment obligation on the Notes between accounts inside, or into or out of, [the Specified Currency Jurisdiction] (other than as a result of their respective failure to comply with practicable laws and regulation, (iii) an illiquidity in the foreign exchange markets for [the specified currency] or (iv) a currency hedging disruption and each a “Specified Currency Disruption Event”) the Issuer in agreement with the Calculation Agent determines it to be commercially impracticable for [the Issuer][it] to make payment on the Notes in [the specified currency], the Issuer may (a) postpone the payment for up to [●] Business Days whilst a specified currency disruption event continues (without further Interest Amounts becoming due) and/or (b) determine to satisfy the payment obligation by payment of the equivalent in [the alternative currency] and/or (c) early redeem the Notes at their Early Redemption Amount or its equivalent in [the alternative currency].]</p>
<b>C.9</b>	Interest, maturity and redemption provisions, yield and representative of the Noteholders	<p>Please also refer to Element C.8 above.</p> <p><i>Interest:</i> [The Notes do not bear interest.]</p> <p><i>[(For Zero Coupon Notes)</i> The Notes are zero coupon Notes issued at an Issue Price of [●] [that do not bear interest]. The Amortisation Yield is [●] per cent. per annum, determined on a[n] [annually/semi-annually] compounded basis and assuming the Notes are held until maturity.]</p> <p><i>[(For Fixed Rate Notes)</i> The Notes [also] bear fixed rate interest from [the Interest Commencement Date][●]] at the rate[s] of [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year. The yield for the Notes will be [●] per cent per annum (calculated at the Issue Date) based on the Issue Price, fixed rate[s] of interest, Final Redemption</p>

## Section C – Securities

	<p>Amount and original tenor of the Notes. This is not an indication of future yield unless the Notes are held until maturity.]</p> <p>[(For Floating Rate Notes other than Digital Option) The Notes [also] bear interest from [the Interest Commencement Date][●]] at a floating rate for each interest period based on (complete as required for each applicable Interest Variable Option)</p> <p>[(If Screen Rate Determination applies) the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate] [, [+/-] [●] per cent. (being the Margin)] [, with the result being multiplied by the Interest Multiplier],]</p> <p>[(If Rates Variance applies) (1) [[●] per cent. per annum][Rate<sub>1</sub> based on the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate specified for Rate<sub>1</sub>] minus (2) the [product of the Scaling Factor and] [[●] per cent. per annum][Rate<sub>2</sub> based on the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate specified for Rate<sub>2</sub>] [, [+/-] [●] per cent. (being the Margin)]], with the result being multiplied by the Interest Multiplier],]</p> <p>[(If Asian Option – Interest Rates applies) the mean average of the rates determined for each of the [●] observation dates specified for such interest period, each being based on the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate] [, [+/-] [●] per cent. (being the Margin)] [, with the result being multiplied by the Interest Multiplier],]</p> <p>payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.]</p> <p>[(For Range Accrual Notes) The Notes [also] bear interest from [the Interest Commencement Date][●]] at a range accrual rate for each interest period equal to a proportion of [●] per cent. per annum that equates to the proportion of days in such interest period on which the Range Accrual Condition is satisfied.</p> <p>The Range Accrual Condition is satisfied on a day if [(1)] the floating rate based on [the mean average of] the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate specified for Variable 1] [minus (2) the floating rate based on [the mean average of] the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate specified for Variable 2] is [greater than or equal to [●]% but less than or equal to [●]%, greater than [●]% but less than [●]%, greater than [●]%, greater than or equal to [●]%, less than [●]%, less than or equal to [●]%, Range accrual interest is payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.]</p> <p>[(Where Evolution of Underlying Equity/Basket of Underlying Equities/Index/Inflation/Currency applies) The Notes [also] bear interest from [the Interest Commencement Date][●]] at a variable rate for each interest period based on the performance of the referenced [equity][ETF share][basket of [equities][and][ETF shares]][index][inflation index][currency exchange rates] (the “Reference Item”), payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.</p> <p>[(Other than for Evolution of Currency) The variable rate for any interest period is based on the amount (expressed as a percentage of the immediately preceding</p>
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## Section C – Securities

value (or, for the first variable rate, the initial value) of the Reference Item) by which (1) the value of the Reference Item for such interest period has [increased][or][decreased] from (2) the [product of the Scaling Factor and the] value for the immediately preceding interest period (or, for the first variable rate, the initial value) [, +/-] [●] per cent. (being the Margin))] [, with the result being multiplied by the Interest Multiplier].]

[(For Evolution of Currency) The variable rate for any interest period is based on the amount (expressed as a percentage of the value of the Reference Item for such interest period) by which (1) the value of the Reference Item for the immediately preceding interest period (or, for the first variable rate, the initial value) is [greater][less] than (2) the [product of the Scaling Factor and the] value of the Reference Item for such interest period [, +/-] [●] per cent. (being the Margin))] [, with the result being multiplied by the Interest Multiplier].]

[(Where Asian Option – Index/Inflation/Underlying Equity/Basket of Underlying Equities/Currency applies) The Notes [also] bear interest from [the Interest Commencement Date][●]] at a variable rate for each interest period based on the average performance of the [Reference Item][referenced [index][inflation index][equity][ETF share][basket of [equities][and][ETF shares]][currency exchange rates] (the “**Reference Item**”)), payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.

[(Other than for Asian Option - Currency) The variable rate for any interest period is based on the amount (expressed as a percentage of the mean average of the values of the Reference Item, determined for the initially specified observation [dates][months] (the “Initial Value”)) by which (1) the mean average of the values of the Reference Item determined for each of the [●] observation dates specified for such interest period has [increased][decreased] from (2) the [product of the Scaling Factor and the] Initial Value [, +/-] [●] per cent. (being the Margin))] [, with the result being multiplied by the Interest Multiplier].]

[(For Asian Option - Currency) The variable rate for any interest period is based on the amount (expressed as a percentage of the mean average of the values of the Reference Item determined for each of the [●] observation dates specified for such interest period (the “Current Value”)) by which (1) the mean average of the values of the Reference Item determined for the initially specified observation dates is [greater][less] than (2) the [product of the Scaling Factor and the] Current Value[, +/-] [●] per cent. (being the Margin))] [, with the result being multiplied by the Interest Multiplier].]

[(For Digital Option) The Notes [also] bear interest from [the Interest Commencement Date][●]] at either the Digital Option Exercised Rate or the Digital Option Fallback Rate, [, +/-] [●] per cent. (being the Margin)] [, with the result being multiplied by the Interest Multiplier]. Such interest is payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.

The Digital Option Exercised Rate (being [[●] per cent. per annum.][the floating rate based on the [the mean average of] offered quotation(s) for the [LIBOR][EURIBOR][CMS] Reference Rate for such interest period [[+/-][●] per cent. (being the Margin)]] [with the result being multiplied by the relevant Interest Multiplier][the floating rate based on [the mean average of] the offered

## Section C – Securities

quotation(s) for the [LIBOR][EURIBOR][CMS] Reference Rate for such interest period [[+/-][●] per cent. (being the Margin)][with the result being multiplied by the relevant Interest Multiplier], [+/-] [●] per cent. (being the Collar Margin), with the result floored at [●] per cent. per annum and capped at [●] per cent. per annum) applies if (1) the Digital Option Variable is [greater than][less than][greater than or equal to][less than or equal to] (2) the [product of the Scaling Factor and the] Digital Option Strike.

Otherwise, the Digital Option Fallback Rate (being [[zero][●] per cent. per annum.][the floating rate based on [the mean average of] the offered quotation(s) for the [LIBOR][EURIBOR][CMS] Reference Rate for such interest period [[+/-][●] per cent. (being the Margin)][with the result being multiplied by the relevant Interest Multiplier]] [the floating rate based on the offered quotation(s) for the [LIBOR][EURIBOR][CMS] Reference Rate for such interest period [[+/-][●] per cent. (being the Margin)][with the result being multiplied by the relevant Interest Multiplier], [+/-] [●] per cent. (being the Collar Margin), with the result floored at [●] per cent. per annum and capped at [●] per cent. per annum) applies.

The Digital Option Variable is [the floating rate based on the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate [[+/-][●] per cent. (being the Margin)][with the result being multiplied by the relevant Interest Multiplier]][the value of the [Reference Item][referenced [index][equity][ETF shares] [basket of [equities][and][ETF shares]][inflation level][currency exchange rates] (the “**Reference Item**”)]], for such interest period.

The Digital Option Strike is [[●] [per cent. per annum]] the floating rate based on the offered quotation(s) for [the [LIBOR][EURIBOR][CMS] Reference Rate [+/-][●] per cent. (being the Margin)][with the result being multiplied by the relevant Interest Multiplier][the value of the [Reference Item][referenced [index][equity][ETF shares] [basket of [equities][and][ETF shares]][inflation level][currency exchange rates] (the “**Reference Item**”)]], for such interest period.

*[(Where Single/Asian Fixing - Index applies)* The Notes [also] bear interest from [the Interest Commencement Date][●] at a variable rate for each interest period equal to (1) *[(For Single Fixing – Index)* the value of the referenced index for such interest period][ *[(For Asian Fixing – Index)* the mean average of the values of the reference index determined for each of the [●] observation dates specified for such interest period] divided by (2) [●] [, [+/-] [●] per cent. (being the Margin)] [, with the result being multiplied by the Interest Multiplier], payable [annually/semi-annually/quarterly/monthly] in arrear on [●] in each year.

Notwithstanding the above, if the rate of interest for any interest period [determined on the basis of [●]] is [(1)] greater than [●] per cent. per annum, it shall be capped at that rate][and][,][(2)][less than [●] per cent. per annum, it shall be floored at that rate][and (3)] negative, it shall be floored at zero.

[The maximum yield for the Notes will be [●] per cent. per annum (calculated at the Issue Date) based on the Issue Price, maximum floating rate[s] of interest, Final Redemption Amount and original tenor of the Notes.]

[The minimum yield for the Notes will be [●] per cent. per annum (calculated at the Issue Date) based on the Issue Price, minimum floating rate[s] of interest,

## Section C – Securities

	<p>Final Redemption Amount and original tenor of the Notes.]</p> <p>[The Interest Commencement Dates are [●] for the Notes.]</p> <p>[The Interest Determination Dates are [●] for the Notes.]</p> <p>[The Interest Determination Dates are [●] for [Rate<sub>1</sub>][Variable 1].]</p> <p>[The Interest Determination Dates are [●] for [Rate<sub>2</sub>][Variable 2].]</p> <p>[The Interest Multiplier is [+/-] [●] per cent.]</p> <p>[The Interest Payment Dates are [●].]</p> <p>[The Interest Periods are [●].]</p> <p>[The Margin is [+/-] [●] per cent.]</p> <p>[The Scaling Factors are [●] per cent. [for [●] Interest Period]]</p> <p>[The Reference Item [is][s are] [●].]</p> <p><i>Redemption:</i> The Maturity Date of the Notes is [●][the Interest Payment Date scheduled to fall on [●]]. Unless redeemed or purchased and cancelled earlier, the Issuer will redeem the Notes on the Maturity Date at [100 per cent. of their nominal amount][<i>(For Index and Equity Linked Redemption Notes)</i> a percentage of their nominal amount equal to 100% plus (in the case of a greater final value) or minus (in the case of a lower final value) a percentage equal to the product of (i) the amount (expressed as a percentage of the initial value of the [Reference Item][referenced [index][equity][ETF shares][basket of [equities][and][ETF shares]]] (the “<b>Maturity Reference Item</b>”)), by which (1) the final value of the Maturity Reference Item determined for the purpose of the Maturity Date is greater than or less than (2) [the product of the Scaling Factor and] its initial value and (ii) the [Index][Equity] Redemption Multiplier, with the result being floored at [[zero][●] per cent.] [and capped at [●] per cent.]. [<i>For Currency Linked Redemption Notes</i>) a percentage of their nominal amount equal to 100% plus (in the case of a greater initial value) or minus (in the case of a lower initial value) a percentage equal to the product of (i) the amount (expressed as a percentage of the final value of the [Reference Item][referenced currency exchange rates] (the “<b>Maturity Reference Item</b>”)) by which (1) the initial value of the Maturity Reference Item determined for the purpose of the Maturity Date is greater than or less than (2) [the product of the Scaling Factor and] its final value and (ii) the Currency Redemption Multiplier, with the result being floored at [[zero][●] per cent.] [and capped at [●] per cent.].</p> <p>The initial value of the Maturity Reference Item is [●][the [value][mean average of the values] of the Maturity Reference Item determined for [the valuation date][each of the [●] valuation dates] scheduled to be [●],[ [●]]. The final value of the Maturity Reference Item is [●][the [value][mean average of the values] of the Maturity Reference Item determined for [the valuation date][each of the [●] valuation dates] scheduled to be [●],[ [●]]. See Element C.8 above for early redemption triggers in relation to the Notes.</p> <p>If the Notes are redeemed due to an event of default, they shall redeem at par [together with accrued interest].</p> <p>If redeemed as a result of an illegality[,][or][ a Tax Redemption] [,][or][ an Index Modification/Cessation][,][or][a de-listing, merger event, nationalisation and insolvency] [,][or][a tender offer] [,][or][a currency disruption event][,][or][an</p>
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## Section C – Securities

Additional Disruption Event][,][or][a Specified Currency Disruption Event], the Notes shall redeem at [[●][an amount in the specified currency equal to [●] per cent. of its nominal amount][, together with accrued interest]][their fair market value. The fair market value is determined by the Calculation Agent [and includes accrued interest], but is adjusted to fully account for losses, expenses and costs to the Issuer (or any of its Affiliates) of unwinding any hedging and funding arrangements.]

*[(If Issuer Call applies) If the Notes are called by the Issuer, they shall redeem on an Optional Redemption Date at [●] (being their Optional Redemption Amount)[, together with accrued interest.]*

*[(For Autocall Notes) If the Notes redeem for an Autocall Redemption, they shall redeem at [●][if redeemed prior to [●]][,][ and] [●] if redeemed prior to [●]]*

*[(If Autocall Type is other than Currency) a percentage of their nominal amount equal to the product of (i) the percentage that (1) the final value of the Autocall Reference Item bears to (2) [the product of the Scaling Factor and] the initial value of the Autocall Reference Item and (ii) the Autocall Multiplier, with the result being floored at [[zero][●] per cent.] [and capped at [●] per cent.].]*

*[(If Autocall Type is Currency) a percentage of their nominal amount equal to the product of (i) and the percentage that (1) the initial value of the Autocall Reference Item bears to (2) [the product of the Scaling Factor and] the final value of the Autocall Reference Item and (ii) the Autocall Multiplier, with the result being floored at [[zero][●] per cent.] [and capped at [●] per cent.].]*

The initial value of the Autocall Reference Item is [●][the [value][mean average of the values] of the Autocall Reference Item determined for [the valuation date][each of the [●] valuation dates] scheduled to be [●][, [●]]. The final value of the Autocall Reference Item is [●][the [value][mean average of the values] of the Autocall Reference Item determined for [the valuation date][each of the [●] valuation dates] scheduled to be [●][, [●]].

No accrued interest payment will be made in addition to the amount paid on Autocall Redemption.]

[If the determination of any [Interest Amount][,][or][Autocall Redemption Amount][,][or][Redemption Amount] is postponed as a result of any disruption in determining the [[Reference Item][Maturity Reference Item][Autocall Reference Item][referenced [index][equity][ETF shares][basket of [equities][and][ETF shares]][inflation level][currency exchange rates]], such postponed amount shall be paid without any Interest Amounts or other sum payable in respect of the postponement or, where such amounts are valued by averaging values over different Valuation Dates, the affected Valuation Date may be disregarded for the purpose of the valuation.]

[The Scaling Factors for Redemption are [●] per cent.]

[The [Autocall][Index][Equity][Currency] Redemption Multiplier is [+/-] [●] per cent.]

[The [Maturity][Autocall] Reference Item [is][s are] [●].]

*Representative of holders:* There is no note trustee or other representative of Noteholders.



Section C – Securities		
<b>C.10</b>	Derivative component in the interest payment	<p>[Not applicable. There is no derivative component in the interest payment]</p> <p>[The Notes have a derivative component in the interest payments.</p> <p>Please refer to Element C.9 above which explains how the rate of interest payable on the Notes for each interest period is affected by the [value of][average value of][change in value of][change in average value of] the relevant [[LIBOR][EURIBOR][CMS] Reference Rate][Reference Item]].</p>
<b>C.11</b>	Application for Admission to Trading	<p>[Application has been made to [the Luxembourg Stock Exchange/[•]] for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/[•]].]</p> <p>[The Notes are unlisted and not admitted to trading on any stock exchange or market.]</p> <p>[The Notes will be offered to the public in [•].]</p>
<b>C.15</b>	Description of how the value of your investment is affected by the value of the Underlying Assets	<p>[Please refer to Element C.9 above which explains how [(1)] the [rate of interest payable on the Notes for each interest period] [and][,][(2)] the amount payable [at maturity] [and/or][or][(3)] [upon an Autocall Redemption] is affected by the [value of][average value of][change in value of][change in average value of] the relevant [[LIBOR][EURIBOR][CMS] Reference Rate][Reference Item].]</p> <p>[The payments on the Notes are not linked to any Reference Rate or Reference Item.]</p>
<b>C.16</b>	Expiration or Maturity Date / Exercise Date or final reference date	Subject to compliance with all relevant laws, regulations and directives, the Maturity Date of the Notes is [•].
<b>C.17</b>	Settlement procedure	<p>The Notes will be cash settled on [•]. Notes will be delivered on [•] [against payment of the issue price of the Notes]/[free of payment of the issue price of the Notes].</p> <p>The Notes are cleared through [Euroclear][and][Clearstream, Luxembourg][other].</p>
<b>C.18</b>	Description of return on Securities	<p>The amount(s) payable [as interest][,][upon an Autocall Redemption] or on redemption of the Notes will reflect an investor's return.</p> <p>The value of the [Reference Item[s]] [,][and] [Autocall Reference Items] [,][and] [[Maturity Reference Items] to which the Notes are linked will affect [the Interest Amounts paid,] [whether the Notes redeem early] [and,] [the amount paid on early redemption or at maturity].</p>
<b>C.19</b>	Final reference price of the Underlying Asset	<p>[The amount (if any) payable on redemption of the Notes at maturity is not linked to a Maturity Reference Item.]</p> <p>[The final value of the Maturity Reference Item is calculated by looking at the [average of the] [price][level][rate][s] of such Maturity Reference Item at the relevant time on the valuation date[s] specified for that purpose (being [•])]</p>
<b>C.20</b>	Type of Underlying	[The amounts (if any) payable as Interest Amounts or on redemption of the Notes are not linked to a Reference Item.]

Section C – Securities			
Asset / Where information on the underlying asset can be found	<p>[The amount(s) payable [as Interest Amounts][,][upon an Autocall Redemption] or on redemption of the Notes are linked to [a [LIBOR][EURIBOR][CMS] Reference Rate] [and] [the [Reference Item] [and] [Autocall Reference Item] [and] [Maturity Reference Item].</p> <p>The [Autocall][Maturity]Reference Item is [an index][an equity] [an ETF share] [a basket of [equities][and][ ETF shares]][an inflation index][a currency exchange rate]. [Information relating to it can be found at [●].]</p> <p>[There are multiple [Autocall][Maturity]Reference Items, as set out below:</p>		
	[Autocall][Maturity] Reference Item <sub>[1]</sub> :	[Autocall][Maturity] Reference Item <sub>[2]</sub> :	[Autocall][Maturity] Reference Item <sub>[3]</sub> :
	[●]	[●]	[●]
	[Information relating to each can be found, as set out below:		
	[Autocall][Maturity] Reference Item <sub>[1]</sub> :	[Autocall][Maturity] Reference Item <sub>[2]</sub> :	[Autocall][Maturity] Reference Item <sub>[3]</sub> :
	[●]	[●]	[●]

Section D – Risks		
<b>D.2</b>	Key risks regarding the Issuer	<p>[There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes. The principal risks in respect of the Issuer include, without limitation, the following: (i) the Issuer is a finance vehicle and accordingly has no trading assets and, if the Guarantor's financial condition deteriorates, the Issuer and investors may suffer direct and materially adverse consequences, (ii) current economic and market conditions pose significant challenges for the KBC Bank Group and may adversely affect its results, (iii) increased regulation of the financial services industry, (iv) the highly competitive environment in which KBC Bank Group operates could intensify further, (v) risks associated with liquidity and funding may be aggravated by the current global market conditions, (vi) the KBC Bank Group has significant credit default risk exposure, (vii) the KBC Bank Group is exposed to counterparty credit risk, (viii) changes in interest rates, (ix) foreign exchange risk, (x) strategies for hedging against market risks may prove to be ineffective, (xi) a downgrade in credit rating may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges, (xii) the KBC Bank Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium, (xiii) potential losses stemming from structured products portfolios, (xiv) risks associated with the government support and the associated EU plan, (xv) operational risks, (xvi) risk management policies, procedures and methods may expose the KBC Bank Group to unidentified or unanticipated or incorrectly quantified risks, (xvii) the risk of breaches of compliance-related requirements, (xviii) litigation or other proceedings or actions may adversely affect the KBC Bank Group and (xix) risks on account of direct and indirect pension obligations.]</p>
<b>D.3</b>	Key risks	There are certain key risk factors which are material for the purpose of assessing

Section D – Risks		
	regarding the Notes	<p>the risks associated with the Notes, including, without limitation, the following key risk factors:</p> <ul style="list-style-type: none"> <li>(a) the Notes may not be a suitable investment for all investors and involve a high degree of risk.</li> <li>(b) Noteholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of “bail-in” powers by the resolution authorities.</li> <li>(c) the Notes are [not] principal protected[; any such protection is dependent on the Issuer, failing which, the Guarantor, performing its obligations with respect to the Notes. In addition, any such principal protection is only at maturity]. Also, if the Notes are linked to a [n Autocall][Maturity]Reference Item, the amount [of interest] payable to Noteholders [or amounts payable upon Autocall Redemption or at maturity] will be contingent on the level, price or value of the [Autocall][Maturity]Reference Item and on the structure of the Notes. [Prospective investors in the Notes should note that, in certain circumstances, they may not receive any interest.]</li> <li>(d) Risks associated with investing in the Notes include, without limitation, [(i)] [risk of disruption to valuations], [(ii)] [adjustment to the conditions, substitution of the relevant index and/or early redemption following an adjustment event or an illegality], [(iii)] [postponement of interest payments] [and/or] minimum [and][/][or] maximum limits imposed on interest rates, (iv) cancellation or scaling back of offers to the public or the issue date being deferred, [(v)] [hedging activities of the Issuer and/or any of its Affiliates], [(vi)] conflicts of interest between the Issuer and/or any of its Affiliates and holders of Notes, [(vii)] modification of the terms and conditions of Notes by majority votes binding all holders, [(viii)] provisions of CRD IV, RRD and the new Banking Law, [(ix)] change in law, [(x)] illiquidity of denominations consisting of integral multiples, [(xi)] payments being subject to withholding or other taxes, [(xii)] fees and commissions not being taken into account when determining secondary market prices of Notes, [(xiii)] there being no secondary market, [(xiv)] [exchange rate risk], [(xv)] market value of Notes being affected by various factors independent of the creditworthiness of the Issuer or the Guarantor and (xvi) credit ratings not reflecting all risks.</li> </ul> <p>The risk factors summarised in item D.2 above in respect of the Issuer also apply in respect of the Guarantor (other than the risk set out in sub-paragraph (i) thereof).</p>
<b>D.6</b>	Risk warning that investors may lose value of entire	<p>Please also refer to Element D.3</p> <p><b>The capital invested in the Notes is at risk. Consequently, the amount a prospective investor may receive on redemption of its Notes may be less than the amount invested by it and may be zero (0).</b></p> <p>[Investors may lose up to the entire value of their investment:</p>

Section D – Risks		
	investment	<p>(a) as the relevant payoff conditions may not provide for full repayment of the initial purchase price upon redemption or early redemption [and the underlying Reference Items may perform in such a manner that the amount due under the Notes is less than the initial purchase price];</p> <p>(b) if the Investor sells its Notes prior to the scheduled maturity date in the secondary market at an amount that is less than the initial purchase price;</p> <p>(c) if the Issuer or the Guarantor is subject to insolvency or bankruptcy proceedings or some other event which negatively affects the Issuer’s or the Guarantor’s ability to repay amounts due under the Notes;</p> <p>(d) if the Notes are redeemed early for reasons beyond control of the Issuer (such as e.g. a change of applicable law or market event in relation to the [Autocall][Maturity]Reference Item(s)) and the amount paid or delivered is less than the initial purchase price; or</p> <p>(e) if the Notes are subject to certain adjustments or alternative valuations following certain disruptive market events that result in the amount to be paid or delivered being reduced to an amount or value that is less than the initial purchase price.]</p>

Section E – Offer		
<b>E.2b</b>	Reasons for the offer and use of proceeds	[The net proceeds from the 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.] [The net proceeds from this issue of Notes will be applied by the Issuer to [●]].
<b>E.3</b>	Terms and conditions of the offer	[Not applicable; the Notes are not being offered to the public.] [Any Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangement in place between such Authorised Offeror and such Investor including as to price, allocation and settlement arrangements.]
		<p>Offer Price: [Issue Price][specify]</p> <p>Conditions to which the offer is subject: [Not Applicable][give details]</p> <p>Description of the application process: [Not Applicable][give details including the time period, and any possible amendments, during which the offer will be open]</p>
		<p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable][give details]</p> <p>Details of the minimum and/or maximum amount of application: [Not Applicable][give details]</p> <p>Details of the method and time limits for [Not Applicable][give details]</p>

Section E – Offer		
		<p>paying up and delivering the Notes:</p> <p>Manner in and date on which results of the offer are to be made public: [Not Applicable][give details]</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable][give details]</p> <p>Whether tranche(s) have been reserved for certain countries: [Not Applicable][give details] [Offers may be made by the Authorised Offerors in each of the Public Offer Jurisdictions to any person during the Offer Period. In other EEA countries and in all jurisdictions (including the Public Offer Jurisdictions) outside of the Offer Period, offers will only be made by the [Managers] pursuant to an exemption under the Prospectus Directive, as implemented in such countries. All offers of the Notes will be made in compliance with all applicable laws and regulations.] [●]</p>
		<p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable][give details]</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable][give details]</p>
<b>E.4</b>	Interest of natural and legal persons involved in the issue/offer	<p>[Not applicable; so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]</p> <p>[The [●] will be paid aggregate commissions equal to [●] per cent. of the Aggregate Nominal Amount of the Notes to be issued. So far as the Issuer is aware, no other person involved in the issue of the Notes has an interest material to the offer.] [●][Any [●] [and its Affiliates] may also have engaged, and may in the future engage, in [transactions or perform other services for] [the Issuer, the Guarantor and its Affiliates] in the ordinary course of business.]</p>
<b>E.7</b>	Expenses charged to the investor by the Issuer or an offeror	<p>[Not applicable; there are no expenses charged to the investor by the Issuer or offeror.]</p> <p>[The estimated expenses charged to the investor by the Issuer or offeror amount to [●].]</p>

## RISK FACTORS

*This section sets out the principal risks inherent in investing in Notes issued under the Programme, including key risks relating to investments linked to the different underlyings or bases of reference.*

*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 unknown reasons or for reasons which may not be considered significant risks by the Issuer or the Guarantor based on the information currently available to it or which it may not currently be able to anticipate and the Issuer and the Guarantor do not represent that the statements regarding the risks of holding any Notes are exhaustive. The sequence in which the risk factors are listed is not an indication of their likelihood to occur or of the extent of their consequences. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision and consult with their own professional advisors (if they consider it necessary).*

**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 ANY SUPPLEMENT, IF APPLICABLE) 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. SUCH NOTES MAY BE PRINCIPAL PROTECTED OR, ALTERNATIVELY, THE PRINCIPAL INVESTED IN SUCH NOTES MAY BE AT RISK. IF THE NOTES ARE PRINCIPAL PROTECTED, SUCH PROTECTION IS NEVERTHELESS DEPENDENT ON THE ISSUER, FAILING WHICH, THE GUARANTOR, PERFORMING ITS OBLIGATIONS WITH RESPECT TO THE NOTES. IF THE NOTES ARE NOT PRINCIPAL PROTECTED, 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.**

**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.*

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## **RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTOR**

### **1 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 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.

The risk factors as set out below in respect of the Guarantor may also apply, directly and/or indirectly, to the Issuer, due to the interconnectedness of the credit risks of the Issuer and the Guarantor (since the Issuer is a fully-owned subsidiary of the Guarantor) and due to the Guarantor itself guaranteeing the obligations of the Issuer under the Guarantee.

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

#### **2.1 Risks relating to the market in which KBC Bank Group operates**

##### ***2.1.1 Economic and market conditions may pose significant challenges for KBC Bank Group and may adversely affect the results***

The global economy, the condition of the financial markets and adverse macro-economic developments can all significantly influence KBC Bank Group's performance. In recent years, the financial markets have experienced unprecedented levels of market volatility. The financial turbulence since 2008 and its after-effects on the wider economy have led to more difficult earnings conditions for the financial sector. During such period, numerous governments and central banks 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, increased market volatility and widespread reduction of business activity generally has adversely affected KBC Bank Group's financial condition, results of operations, liquidity and access to capital and credit.

Furthermore, certain countries in Europe have relatively large sovereign debts or fiscal deficits, or both, which has in the recent past led to tensions in the EU bond markets, the interbank lending market and to credit spread volatility and constrained the availability of wholesale debt funding at reasonable cost. The peripheral crisis of 2010 also affected countries in which KBC Bank Group operates, such as Ireland.

Since KBC Bank Group conducts the majority of its business in Belgium, Czech Republic, Ireland, Hungary and the other home markets, 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. A weakening in these economies may in particular have a negative effect on KBC Bank Group's financial condition and results of operations. Moreover, any deterioration in financial and credit market conditions could further adversely affect KBC Bank Group's business and, if they were to persist or worsen, could adversely affect the results of operations and financial condition of KBC Bank Group.

The losses and asset impairments resulting from the financial crisis forced many banks, including KBC Bank Group, to raise additional capital in order to maintain appropriate capital

adequacy and solvency ratios. 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. Further infusions of additional equity capital, if necessary, may be difficult to achieve. 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.

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 funding, investor confidence, credit spreads (e.g., corporate, sovereign) and the strength of the economies in which KBC Bank Group operates.

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.

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.

#### ***2.1.2 Increased regulation of the financial services industry or changes thereto could have an adverse effect on KBC Bank Group's operations***

There have been significant regulatory developments in response to the global crisis, including various initiatives and measures taken at the level of the European Union or national governments, the stress test exercise coordinated by the European Banking Authority in cooperation with the European Central Bank, liquidity risk assessments on European and national levels and the adoption of a new regulatory framework. This comprises requirements under Basel III, which have been implemented in the European Union through the adoption of Regulation (EU) n°575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("CRR") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions on prudential requirements for credit institutions and investment firms ("CRD", and together with CRR, "CRD IV"). It is further complemented by the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of Council ("RRD"), Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the "Single Supervision Mechanism" or "SSM") and the Regulation of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council (which is still to be adopted by the Council) (the "Single Resolution Mechanism" or "SRM").

In addition, changes are also being made to the International Financial Accounting Standards (“IFRS”). Although KBC Bank Group works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on KBC Bank Group, its business, financial condition or results of operations.

Moreover, on 25 April 2014, a new law on the status and supervision of credit institutions (the “Banking Law”) was adopted in Belgium. The Banking Law replaces the banking law of 22 March 1993 and implements various directives, including (without limitation) CRD IV and RRD, as well as various other measures taken since the financial crisis. The Banking Law imposes, amongst others, several restrictions with respect to certain activities (including trading activities, which may have to be separated if certain thresholds are exceeded) and prohibits certain proprietary trading activities.

There can be no assurance that the implementation of these new standards, or any other new regulation, will not require KBC Bank Group to issue securities that qualify as regulatory capital or to liquidate assets or curtail business, all of which may have adverse effects on its business, financial condition and results of operations.

KBC Bank Group conducts its businesses subject to on-going 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 and Eastern Europe (e.g. Hungary), could materially affect KBC Bank Group’s business, the products and services offered by it or the value of its assets. In addition to the above, since the start of the global economic downturn, there seems to be an increase in the level of scrutiny applied by governments and regulators to enforce applicable regulations and calls to impose further charges on the financial services industry. There can be no assurance that such increased scrutiny or charges, will not require KBC Bank Group to take additional measures which, in turn, may have adverse effects on its business, financial condition and results of operations.

**2.1.3 Risk associated with the highly competitive environment in which KBC Bank Group operates and which could intensify further as a result of the global market conditions**

As part of the financial services industry, KBC Bank Group faces substantial competitive pressures that could adversely affect the results of its operations in banking, asset management and other products and services.

In its Belgian home market, KBC Bank faces substantial competition, mainly from BNP Paribas Fortis, ING Group and Belfius Bank. In addition, KBC Bank faces increased competition in the Belgian savings market from smaller-scale banking competitors (and internet bank competitors) seeking to enlarge their respective market shares by offering higher interest rates. In Central and Eastern Europe, KBC Bank Group faces competition from the regional banks in each of the jurisdictions in which it operates and from international competitors such as UniCredit, Erste Bank and Raiffeisen International. Competition is also affected by consumer demand, technological changes, regulatory actions and/or limitations 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.

## 2.2 Risks relating to KBC Bank Group and its business

### 2.2.1 *KBC Bank Group has significant credit default risk exposure*

As a large financial organisation, KBC Bank Group is subject to a wide range of general credit risks, 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 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.

Credit institutions have witnessed a significant increase in default rates over the past few years as a result of worsening economic conditions. This increase in the scope and scale of defaults is evidenced by the significant increase in the amount of impaired loans in the portfolio of KBC Bank Group. This trend remains visible, particularly in Ireland. In some of the Central and Eastern European countries where KBC Bank Group is active in, credit is also granted in a currency other than the local currency. Changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. 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. In addition to the credit quality of the borrower, adverse market conditions such as declining real estate prices negatively affect the results of KBC Bank Group's credit portfolio since these impact the recovery value of the collateral. All this could be further exacerbated in the case of a prolonged economic downturn or worsening market conditions.

KBC Bank Group makes provisions for loan losses which correspond to the provision for impairment losses in its income statement in order to maintain appropriate allowances for loan losses based on an assessment of prior loan loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the collectability of the loan portfolio. This determination is primarily based on KBC Bank Group's historical experience and judgment. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material adverse effect on KBC Bank Group's business, results of operation or financial condition.

KBC Bank Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. As this credit risk reflects some concentration, particularly in Belgium, Czech Republic, Ireland, Hungary and the other home markets where it is active, KBC Bank Group's financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding the euro-area, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on KBC Bank Group's credit exposure, loan provisioning, results of operation and financial position. In addition, concerns about, or a default by, one credit institution could lead to significant liquidity problems, losses or defaults

by other institutions, because the commercial and financial soundness of many financial institutions are closely related as a result of their credit, trading, clearing and other relationships.

The events described above have and may continue to adversely affect KBC Bank Group's ability to engage in routine transactions as well as the performance of various loans and other assets it holds.

### **2.2.2 *Risks associated with liquidity and funding inherent to KBC Bank Group's business***

The procurement of liquidity for KBC Bank Group's operations and access to long term financings are crucial to achieve KBC Bank Group's strategic goals, as they enable KBC Bank Group to meet payment obligations in cash and on delivery, scheduled or unscheduled, so as not to prejudice KBC Bank Group's activities or financial situation.

Although KBC Bank Group currently has a satisfactory liquidity position (with a diversified core deposit base and a large amount of liquid and/or pledgeable assets), its procurement of liquidity could be adversely impacted by the inability to access the debt market, sell products or reimburse financings as a result of the deterioration of market conditions, the lack of confidence in financial markets, uncertainties and speculations regarding the solvency of market participants, rating downgrades or operational problems of third parties. In addition thereto, KBC Bank Group's liquidity position could be adversely impacted by substantial outflows in deposits and asset management products.

Limitations of KBC Bank Group's ability to raise the required funds on terms which are favourable for KBC Bank Group, difficulties in obtaining long-term financings on terms which are favourable for KBC Bank Group or dealing with substantial outflows could adversely affect KBC Bank Group's business, financial condition and results of operations. In this respect, the adoption of new liquidity requirements under Basel III and CRD IV must also be taken into account since these could give rise to an increased competition resulting in an increase in the costs of attracting the necessary deposits and funding.

Furthermore, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of its activities, KBC Bank Group requires significant amounts of cash on short notice in excess of anticipated cash requirements, KBC Bank Group may have difficulty selling investments at attractive prices, in a timely manner, or both.

In such circumstances, market operators may fall back on support from central banks and governments by pledging securities as collateral. Unavailability of liquidity through such measures, or the decrease or discontinuation of such measures could result in a reduced availability of liquidity on the market and higher costs for the procurement of such liquidity when needed, thereby adversely affecting KBC Bank Group's business, financial condition and results of operations.

### **2.2.3 *KBC Bank Group is exposed to counterparty credit risk in derivative transactions***

KBC Bank Group executes a wide range of derivatives transactions, such as interest rate, exchange rate, share/index prices, commodity and credit derivatives with counterparties in the financial services industry.

Operating in derivative financial instruments exposes KBC Bank Group to market risk and operational risk, as well as the risk that the counterparty defaults on its obligations or becomes insolvent prior to maturity when KBC Bank Group has an outstanding claim against that

counterparty. Non-standardised or individually negotiated derivative transactions can make exiting, transferring or settling the position difficult.

Counterparty credit risk has increased due to recent volatility in the financial markets and may be further exacerbated if the collateral held by KBC Bank Group cannot be realised or liquidated at a value that is sufficient to cover the full amount of the counterparty exposure.

**2.2.4 *Changes in interest rates, which are caused by many factors beyond KBC Bank Group's control, can have significant adverse effects on its financial results***

Fluctuations in interest rates affect the returns KBC Bank Group earns on fixed interest investments and also affect the value of the investment and trading portfolio of KBC Bank Group. Interest rate changes also affect the market values of the amounts of capital gains or losses KBC Bank Group takes on and the fixed interest securities it holds.

The results of KBC Bank Group's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of KBC Bank Group's assets and liabilities, and any gap position resulting from the composition, causes KBC Bank Group's operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods and/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 results of operations of KBC Bank Group's businesses.

**2.2.5 *KBC Bank Group is subject to foreign exchange risk***

KBC Bank Group pursues a prudent policy as regards its structural currency exposure, with a view to limit as much as possible currency risk. Foreign exchange exposures in the asset-liability management ("ALM") books of banking entities with a trading book are transferred to the trading book where they are managed within the allocated trading limits. Although KBC Bank Group pursues a prudent policy with regard to foreign exchange risk, there can still be a limited impact of this risk on the financial results of KBC Bank Group.

**2.2.6 *KBC Bank Group is subject to market risk***

The most significant market risks KBC Bank Group faces are interest rate, spread, 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 uses a range of instruments and strategies to partly hedge against certain market risks. If these instruments and strategies prove ineffective or only partially effective, KBC Bank Group may suffer losses. Unforeseen market developments such as those in relation to the government bonds of various countries which occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by KBC Bank Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by KBC Bank Group and could therefore have a material adverse effect on KBC Bank Group's business, results of operations and financial condition.

**2.2.7 *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 or the rating of the countries in which it operates. 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, 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. 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.

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

KBC Bank Group devotes significant resources to developing risk management policies and models, 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, amongst others, value-at-risk ("VaR") models, back testing, Probability of Default ("PD") models, Loss Given Default ("LGD") models, asset valuation models and stress tests as well as risk assessment methods.

Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that KBC Bank Group fails to identify or anticipate. Some of the models and metrics used are based upon observed historical behaviour as well as future predictions. Accordingly, the models used by KBC Bank Group may fail to predict or predict incorrectly future risk exposures and KBC Bank Group's losses could therefore be significantly greater than such measures would indicate. In addition, the risk management methods used by KBC Bank Group do not take all risks into account and could prove insufficient. If prices move in a way that KBC Bank Group's risk modelling has not anticipated, KBC Bank Group may experience significant losses. These failures can be exacerbated where other market participants are using models that are similar to those of KBC Bank Group. In certain cases, it may also be difficult to reduce risk positions due to the activity of other market participants or widespread market dislocations. Furthermore, other risk management methods depend on the evaluation of information regarding markets, customers or other publicly-available information. Such information may not always be accurate or up-to-date.

Accordingly, KBC Bank Group's losses could be significantly greater than such measures would indicate and unanticipated or incorrectly quantified risk exposures could result in material losses in KBC Bank Group's banking and asset management businesses.



**2.2.9 *KBC Bank Group is exposed to the risk of breaches of regulatory and compliance-related requirements in connection with the exercise of its business activity***

The possibility of inadequate or erroneous internal and external processes and systems, regulatory problems, breaches of compliance-related provisions in connection with the exercise of business activities, such as rules to prevent money laundering, human errors and deliberate legal violations such as fraud cannot be ruled out. KBC Bank Group endeavours to hedge such risks by implementing appropriate control processes tailored to its business, the market and regulatory environment in which it operates. Nevertheless, it is possible that these measures prove to be ineffective in relation to particular or all operational risks to which KBC Bank Group is exposed. Even though KBC Bank Group endeavours to insure itself against the most significant operational risks, it is not possible to obtain insurance cover for all the operational risks on commercially acceptable terms on the market. Should one, some or all of the risks described in this paragraph materialise, KBC Bank Group business, results of operations and financial condition could be materially adversely affected.

**2.2.10 *Litigation or other proceedings or actions may adversely affect KBC Bank Group's business, financial condition and results of operations***

KBC Bank Group's business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, administrative proceedings, regulatory actions or other litigation. Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. Management makes estimates regarding the outcome of legal, regulatory and arbitration matters and creates provisions when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defences and previous experience in similar cases or proceedings. Legal proceedings with remote or non quantifiable outcomes are not provided for and KBC Bank Group may be required to cover litigation losses which are not covered by such provision, including for example series of similar proceedings. As a result, there can be no assurance that provisions will be sufficient to fully cover the possible losses arising from litigation proceedings and KBC Bank Group cannot give any assurance that a negative outcome in one or more of such proceedings would not have a material adverse effect on KBC Bank Group's business, results of operations or financial condition.

Furthermore, plaintiffs in legal proceedings may seek recovery of large or indeterminate amounts or other remedies that may affect KBC Bank Group's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. Also, the cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of its services, regardless of whether the allegations are valid or whether they are ultimately found liable. See Section "Description of the Guarantor", subsection "Litigation" below for further information.

As a result, litigation may adversely affect KBC Bank Group's business, financial condition and results of operations.

**2.2.11 *KBC Bank Group is exposed to risks on account of direct and indirect pension obligations***

KBC Bank Group has various direct and indirect pension obligations towards its current and former staff. These obligations therefore entail various risks which are similar to, amongst others, risks in a life insurance company and risks involving a capital investment. Risks, however, may also arise due to changes in tax or other legislation, and/or in judicial rulings as well as inflation rates or interest rates. Any of these risks could have a material adverse effect on KBC Bank Group's business, results of operations and financial condition.

**2.2.12 *The ECB is in the process of performing a comprehensive assessment of KBC Bank Group and other European banking groups, the outcome of which is uncertain***

The ECB is currently performing a comprehensive assessment, including stress tests and an asset quality review, of certain large European banking groups, including KBC Bank Group. The findings from this assessment, expected to be published in November 2014, may result in recommendations for additional supervisory measures and corrective actions affecting KBC Bank Group and the banking environment generally. It is not yet possible to assess the impact of such measures, if any, on KBC Bank Group or on the treatment of capital instruments. Furthermore, the disclosure of the ECB's findings or the implementation of additional supervisory measures that are viewed by the market as unfavourable to KBC Bank Group or the Notes could adversely affect the trading price of the Notes. See also "Description of the Guarantor", Subsection "Risk Management – Credit Risk".

**2.2.13 *Minimum regulatory capital and liquidity requirements***

The KBC Bank Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under Basel II and Basel III, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of 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 impact on KBC Bank Group's results of operations. A shortage of available capital may restrict KBC Bank Group's opportunities for expansion.

KBC Bank is required to meet certain capital and liquidity requirements under CRD IV, which implements the Basel III proposals ("Basel III"). Such requirements will be gradually phased in and have an impact on KBC Bank Group and its operations, as it imposes higher capital requirements. Moreover, any failure of KBC Bank Group to maintain such increased capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on KBC Bank Group's results of operations. KBC Bank Group will also be subject to a leverage ratio in the future.

**2.2.14 *KBC Bank Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium***

KBC Bank Group conducts the vast majority of its business in the European Union. Part of that business has led to an exposure by KBC Bank Group towards various countries in the European Union, including certain countries which have come under market pressure. Given the recent political, economic and financial developments in most of the European countries, KBC Bank Group incurs a risk that those countries will no longer be able to comply with the terms and conditions of their exposure vis-à-vis KBC Bank Group. If such sovereign risk would materialise, KBC Bank Group's business, financial condition and results of operation could be

materially adversely affected. See further “*Description of the Guarantor – Risk Management – Sovereign debt exposure*”.

**2.2.15 KBC Bank Group is exposed to potential losses stemming from previous activities in structured products portfolios, including its ABS and CDO portfolios**

Structured credit activities of KBC Bank Group entities relate to Asset Backed Securities (“ABSs”) and Collateralised Debt Obligations (“CDOs”), which are defined as follows:

- ABSs are bonds or notes backed by loans or accounts receivable originated by providers of credit, such as banks and credit card companies. Typically, the originator of the loans or accounts receivable transfers the credit risk to a trust, which pools these assets and repackages them as securities. These securities are then underwritten by brokerage firms, which offer them to the public.
- CDOs are a type of asset-backed security and a structured finance product in which a distinct legal entity, a Special Purpose Vehicle (“SPV”), issues bonds or notes against an investment in an underlying asset pool. Pools may differ with regard to the nature of their underlying assets and can be collateralised either by a portfolio of bonds, loans and other debt obligations, or be backed by synthetic credit exposures through use of credit derivatives and credit-linked notes.

The claims issued against the collateral pool of assets are prioritised in order of seniority by creating different tranches of collateralised debt securities, including one or more investment grade classes and an equity/first loss tranche. Senior claims are insulated from default risk to the extent that the more junior tranches absorb credit losses first. As a result, each tranche has a different priority of payment of interest and/or principal and may thus have a different rating.

Prior to the financial crisis, KBC Bank Group was active in the field of structured credits, both as an originator and an investor. Since mid-2007, KBC Bank Group is no longer active as originator in this business segment. As an originator, KBC Bank Group also took on other roles such as sponsor, when it provided liquidity support to the related SPVs. KBC Bank Group also invested in structured credit products. However, a number of these investments still appear on KBC Bank Group’s balance sheet. The risks linked to these structured products portfolios may have an adverse effect on KBC Bank Group’s business, financial condition and results of operation. See further “*Description of the Guarantor*”, Subsection “*Risk management – Structured credit exposure*”.

**2.2.16 Risks associated with the government support and the associated EU Plan**

The acceptance of government support also includes the acceptance of related risks and obligations – KBC Bank Group’s ability to successfully execute its strategic plan is not assured.

The acceptance of government support and the approval of these measures under European Union state aid rules were subject to submission by the Belgian authorities of a restructuring plan for KBC Bank Group containing measures to safeguard its long-term viability and to ensure its capacity to repay within a reasonable timeframe the capital received. This restructuring plan was approved on 18 November 2009, as amended on 27 July 2011 and further amended on 20 December 2012 in relation to the State guarantee. Under the terms of such approval, the European Commission has imposed a range of conditions on KBC Bank Group, including divestment, conduct of business and other restrictions, some of which could materially impact KBC Bank Group or result in dilution for the existing shareholders of KBC Bank Group.

Approval by European Commission of the restructuring plan was also subject to the imposition of certain behavioural commitments imposed on KBC Bank Group, such as maintaining a minimum solvency ratio, respecting certain limitations on executive compensation, restrictions on acquisitions, and adhering to a price leadership ban subject to certain conditions. Furthermore, the acceptance of the government support has led to the supervision of the European Union and the presence of government representatives on the board of directors of KBC Bank Group, thereby limiting KBC Bank Group's autonomy.

Further, the strategic plan requires KBC Bank Group and its subsidiaries to engage in a restructuring according to the terms outlined in such plan, including the disposal and downsizing of a significant number of its businesses (see "Description of the Guarantor", Subsection "General description of activities of KBC Bank Group" below). KBC Bank Group has implemented a range of initiatives to give effect to the plan, including some important steps to derisk aspects of the (former) merchant banking business unit. Now that the divestments plan is more or less fully implemented, with the exception of WARTA's pension fund activities, KBC Bank Deutschland and Antwerp Diamond Bank (for which sale agreements were signed, but for which completion is still pending and subject to the satisfaction of certain conditions). For further information in respect of the aforementioned pending divestments, please see the respective press releases dated 9 May 2013 ("*PTE Allianz Polska S.A. acquires Warta's pension fund business in Poland*"), 24 September 2013 ("*KBC Announces Sale of KBC Bank Deutschland*") and 19 December 2013 ("*Yinren Group acquires Antwerp Diamond Bank from KBC*"), available on [www.kbc.com](http://www.kbc.com).

**2.2.17 *While KBC Bank Group strictly manages its operational risks, these risks remain inherent to its business***

KBC Bank Group is exposed to many types of operational risks, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. In addition, KBC Bank Group may also be subject to disruptions of its operating systems, or of the infrastructure that supports it, arising from events that are wholly or partially beyond KBC Bank Group's control (for example natural disasters, acts of terrorism, computer viruses, pandemics, transport or utility failures or external vendors not fulfilling their contractual obligations) which could give rise to losses in service to customers and to loss or liability to KBC Bank Group.

The operational risks that KBC Bank Group faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud or cyber crime. These events can potentially result in financial loss as well as harm to its reputation. Additionally, the loss of key personnel could adversely affect KBC Bank Group's operations and results.

KBC Bank Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they do not eliminate them.

## RISK FACTORS RELATING TO THE NOTES

### 3 General risks associated with the Notes

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

The Notes may not be a suitable investment for all investors. Each potential investor in any 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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement and all 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 relevant Notes and the impact such investment 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 relevant Notes, including where the currency for principal and/or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices, interest rates 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.

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 key 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 any Supplement) and reach their own views prior to making any investment decision.

Some Notes are complex financial instruments. Sophisticated 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.

#### 3.2 Noteholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of "bail-in" powers by the resolution authorities

The European Parliament and the Council have on respectively 15 April 2014 and 6 May 2014 adopted RRD. RRD provides common tools and powers to so-called supervisory and resolution authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers granted to resolution authorities under RRD include a "bail-in" power, which gives such authorities the power to write down the claims of unsecured creditors (including the claims of Noteholders) of a failing institution. The resolution powers further include the ability for the resolution authorities to force, in certain circumstances of distress, the sale of a credit institution's business or its critical functions, the separation of assets, the replacement or substitution of the credit institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

The bail-in power enables the resolution authority to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors (including holders of Notes) in a manner that ought to respect the hierarchy of claims in an insolvency of a relevant financial institution, consistent with the treatment they would receive in an insolvency. Accordingly, holders of unsubordinated unsecured debt (including the Notes) should in principle only be required to absorb losses after shareholders and holders of tier one and tier two securities and any other subordinated creditors.

The conditions for use of the bail-in power are, in summary, that (i) the regulator determines that the bank is failing or likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the bank's failure and (iii) the relevant resolution authority determines that it is in the public interest to exercise the bail-in power. The institution will be deemed to fail or likely to fail if: (i) the institution infringes or is likely to infringe applicable regulation (including capital requirements), (ii) the assets of the institution are or are likely in the near future to be less than its liabilities, (iii) the institution is or is likely in the near future to be unable to pay its debts as they fall due and/or (iv) the institution requires public financial support (except when the Member State decides to provide exceptional public support in the form defined in RRD). RRD further specifies that governments will only be entitled to use public money to rescue credit institutions if a minimum of 8% of the own funds and total liabilities have been written down, converted or bailed in.

Importantly, certain liabilities of credit institutions will be excluded from the scope of the "eligible liabilities" and therefore not subject to bail-in. These include covered deposits, secured liabilities (including covered bonds) as well as certain debt with maturities of less than 7 days and certain other liabilities. All other liabilities (including the Notes) will be deemed "eligible liabilities" subject to the statutory bail-in powers. The bail-in power for eligible liabilities (including the Notes) is expected to be introduced by 1 January 2016 at the latest. Certain aspects of the eligible liabilities that will be subject to the bail-in powers need to be further implemented by means of technical standards. There can be no assurance that, once implemented, the existence of applicable loss absorption provisions or the taking of any actions currently contemplated or as finally reflected in such provisions would not materially adversely affect the price or value of a holder's investment in the Notes and/or the ability of the Issuer or the Guarantor to satisfy its obligations under the Notes or the Guarantee.

Moreover, the determination that all or part of the principal amount of any series of Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of KBC Bank's control. This determination will also be made by the resolution authority and there may be many factors, including factors not directly related to the Issuer or KBC Bank Group, which could result in such a determination. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of such bail-in powers may occur. Accordingly,

trading behaviour in respect of the Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Notes should consider the risk that a Noteholder may lose all of its investment, including the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or that the Notes may be converted into ordinary shares. Noteholders may have limited rights or no rights to challenge any decision to exercise such powers or to have that decision reviewed by a judicial or administrative process or otherwise.

**3.3 KBC Bank Group is subject to the provisions of CRD IV, RRD and the new Banking Law. The potential impact thereof is inherently uncertain, including in certain significant stress situations.**

On 25 April 2014, the new Banking Law was adopted in Belgium, which implements various directives, including CRD IV and RRD, as well as various other measures taken since the financial crisis (including certain restrictions on trading for own account). It replaces the existing banking law of 22 March 1993.

Under the Banking Law, substantial powers have been granted to the National Bank of Belgium, both in its capacity as supervisory authority as well as part of the resolution regime. These powers enable the competent authorities to deal with and stabilise Belgian-incorporated credit institutions (including its parent companies such as the Guarantor) that are failing or are likely to fail. In line with CRR, the resolution regime will enable the resolution authority to: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank”; and (iii) obtain the temporary public ownership of the relevant entity. Competent supervisory authorities are entrusted with broad early intervention powers and institutions will be required to draw up recovery plans and demonstrate their resolvability.

Furthermore, KBC Bank Group is subject to CRD IV. CRD IV is a recently-adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years. CRR leaves a number of important interpretational issues to be resolved through binding technical standards that will be adopted in the future (including in relation to future liquidity and leverage requirements), and leaves certain other matters to the discretion of the regulator.

In addition, as part of the so-called Banking Union, the Single Supervision Mechanism was adopted. Under the SSM, the European Central Bank will assume certain supervisory responsibilities in relation to KBC which were formerly handled by the National Bank of Belgium as of November 2014. The European Central Bank may interpret CRD IV, or exercise discretion accorded to the regulator under CRD IV (including options with respect to the treatment of assets of other affiliates) in a different manner than the National Bank of Belgium. Agreement was further reached between the European Parliament and the Council in relation to the establishment of a Single Resolution Mechanism and single bank resolution fund. As a result, credit institutions of a certain size (including KBC Bank) will fall under the competences of a to-be-established new resolution authority at the European level. Such resolution board will replace national resolution authorities and will be in charge of assessing whether the conditions for any write down or bail-in are met and whether any credit institution must be placed under resolution.

Under these new regulations, wide-ranging powers are being conferred on competent authorities to intervene and to alter an institution’s business, operations and capital markets and debt structure which could have significant consequences on the group’s profitability, operations and financing costs. Moreover, as these are new rules and as there remain a number of important implementing measures

that need to be further adopted under CRR, the Banking Law and certain other regulations, there is considerable uncertainty about the potential effect thereof on the business and operations of the KBC Bank Group (and potentially the Notes) and how the authorities may choose to exercise the powers afforded to them under such laws and regulations. See also risk factor “Noteholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of “bail-in” powers by the resolution authorities”.

### **3.4 Unsecured and unsubordinated obligations**

All Notes will represent direct, unconditional, unsecured and unsubordinated obligations of the Issuer. All Notes will rank without any preference among themselves and (save to the extent that laws affecting creditors’ rights generally in a bankruptcy or winding-up may give preference to any of such other obligations) equally with all other unsecured and unsubordinated obligations of the Issuer.

All Notes will constitute “eligible liabilities” which could be subject to statutory “bail-in” in case any resolution action were to be taken in relation to the Group (see risk factor 3.2 “Noteholders may be required to absorb losses in the event that KBC Bank Group were to become subject to the exercise of “bail-in” powers by the resolution authorities”).

Furthermore, the Banking Law provides for a general lien for the benefit of depositors which is capped at EUR 100,000 in the case of deposits made by persons or entities other than natural persons or small and medium enterprises. This provision is yet to enter into force; the date will be set by royal decree. Once applicable, depositors (or the deposit guarantee scheme that would be substituted in their rights) will, in the case of a bankruptcy or winding-up of the Guarantor, have preference over the Guarantor’s movable assets.

### **3.5 The Issuer and the Guarantor are not prohibited from issuing additional debt**

There is no restriction on the amount of debt that the Issuer or Guarantor may issue, which may rank *pari passu* with the obligations under the Notes or the Guarantee. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Issuer’s or Guarantor’s bankruptcy. If the Issuer’s or the Guarantor’s financial condition were to deteriorate, the holders could suffer direct and materially adverse consequences, including suspension of interest and reduction of interest and principal and, if the Issuer or the Guarantor were liquidated (whether voluntarily or involuntarily), the holders could suffer loss of their entire investment.

### **3.6 Conflicts of interest**

The Agent, some of the Dealers and their affiliates have engaged in, and may in the future engage in, commercial dealings in the ordinary course of business with the Issuer, the Guarantor or any of their affiliates (including, but not limited to, lending, depositary, risk management, advisory and banking relationships). They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer, the Guarantor and their affiliates may have existing or future business relationships with any Reference Item(s) 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.

Potential investors should also be aware that the Issuer is a wholly-owned subsidiary of the Guarantor and that the Guarantor may act as Dealer, and that the interests of KBC Bank NV and the Issuer may conflict with the interests of the holders of Notes. Moreover, the holders of Notes should be aware that KBC Bank NV, acting in whatever capacity, will not have any obligations vis-à-vis the holders of any Notes and, in particular, will not be obliged to protect the interests of the holders of any Notes.

Where the Issuer or the Guarantor acts as Calculation Agent or the Calculation Agent is an Affiliate of the Issuer or the Guarantor, potential conflicts of interest may exist between the Calculation Agent and Noteholders. The Calculation Agent is entitled to carry out a series of determinations which affect the Notes. Such determinations could have an adverse effect on the value of the Notes and on the amounts payable to investors under the Terms and Conditions of the Notes (the “Conditions”), whether in the case of interest payments or redemption payments following an early redemption event or at maturity, in each case giving rise to a potential conflict of interest in respect of the interests of the Noteholders. See also risk factors 3.8, 3.9, 5.1 (iv), 5.2 (iii), 5.3 (iv), 5.4 (iii), 7.2, 8.7, 8.8 and 8.9.

Potential conflicts of interest may arise in connection with Notes that are offered to the public, as any distributors or other entities involved in the offer and/or the listing of such Notes as indicated in the applicable Final Terms, will act pursuant to a mandate granted by the Issuer and can receive commissions and/or fees on the basis of the services performed in relation to such offer and/or listing.

The Issuer, the Guarantor and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Reference Item (as defined under paragraph 4.5 below) that is or may be material in the context of the Notes and may or may not be publicly available to Noteholders. Subject to any applicable laws and regulations, there is no obligation on the Issuer, the Guarantor or any Dealer to disclose to Noteholders any such information.

### **3.7 Early Redemption due to Taxation**

If Condition 11(a) applies, the Issuer may redeem all of the Notes in accordance with Condition 5(b) if, for reasons outside its control, it or the Guarantor would be unable after taking reasonable measures available to it to make payments of principal or Interest Amounts under the Notes or payments in respect of the Guarantee without having to pay additional amounts as a result of any change in, or amendment to, amongst other things, the laws or regulations of The Netherlands or Belgium, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes. Notes redeemed pursuant to Condition 5(b) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **3.8 Early redemption due to Illegality or Change in Law**

In the event that the Calculation Agent determines that the performance of the Issuer’s obligations under the Notes or, as the case may be, the Guarantor’s obligations under the Guarantee or that any arrangements made to hedge the Issuer’s obligations under such Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part, the Issuer may redeem all, but not some only, of the Notes at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **3.9 Early Redemption Amount of Notes**

The Notes may be redeemed and cancelled earlier than the date scheduled for redemption due to taxation, illegality or change in law, or for various other reasons depending on the particular structure

and/or features of the Notes (see below). Notes, other than Zero Coupon Notes, Autocall Notes redeeming early following satisfaction of the Autocall Condition or Notes being redeemed following an Issuer Call (in respect of which, see below), will be redeemed at their applicable Early Redemption Amount, which will be (i) the Fixed Early Redemption Amount or the product of the Fixed Early Redemption Percentage and the nominal amount, as specified in the applicable Final Terms, together with accrued but unpaid interest if “Including Interest” is specified to be applicable in the applicable Final Terms or (ii) if no Fixed Early Redemption Amount or Fixed Early Redemption Percentage is specified in the applicable Final Terms, the fair market value thereof 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.

The Early Redemption Amount may be less than the nominal amount of such Note, and may not be sufficient such that if an investor were to reinvest such amount, it would, on the scheduled redemption date, be worth an amount equal to the nominal amount of such Note.

### **3.10 Modification**

The Conditions 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 Conditions 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 (as defined under “Terms and Conditions of the Notes”) which is not prejudicial to the interests of the Noteholders or any modification of the Notes, the Coupons, the Agency Agreement, the Guarantee or the Deed of Covenant (as defined under “Form of the Notes”) 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.

### **3.11 EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other EU Member State or to (or for the benefit of) certain limited types of entities established in that other EU 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) subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. The indications are that the Austrian government will also elect out of the withholding system in favour of an automatic exchange of information but no effective date has been announced.

A number of non-EU countries (including Switzerland), and certain dependent or associated territories of certain EU Member States have adopted similar measures to the Savings Directive (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 an EU Member State. In addition, the EU 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 an EU Member State to, or collected by such a person for, an individual resident in one of those territories.

The Council of the European Union has adopted a Directive amending the Savings Directive (the “Amending Directive”) which when implemented, will amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, 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. Once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, which may mitigate an element of this risk if the Noteholder is able to arrange for payment through such a Paying Agent. However, investors should choose their custodians and intermediaries with care, and provide each custodian and intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### **3.12 Change of law**

The Notes and the Guarantee will be governed by English law, except for Condition 2(c) of the Notes and Clause 6 of the Guarantee (and any non-contractual obligations arising therefrom or in connection therewith) which shall 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 Belgian law or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

In addition, any relevant tax law or practice applicable as at the date of this Base Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Noteholder, including that the Notes may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Noteholder may be less than otherwise expected by such Noteholder.

**3.13 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 need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination in order to (i) receive a definitive Note in respect of such holding (should definitive Notes be printed) or (ii) be able to transfer its Notes (subject in all cases to the rules and procedures of the relevant clearing system).

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.

**3.14 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.

Such Notes will not have the benefit of a gross up provision in respect of withholding taxes and deductions, meaning that Noteholders will take the risk of any applicable withholding taxes or deductions.

**3.15 U.S. Foreign Account Tax Compliance Withholding**

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the “ICSDs”), in all but the most remote circumstances, it is not expected that the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010, commonly referred to as “FATCA” will affect the amount of any payment received by the ICSDs (see “Taxation – FATCA Withholding” below). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Notes are discharged once it has paid the Common Depositary or Common Safekeeper for the ICSDs (as the bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the ICSDs and custodians or intermediaries. Please see “Taxation – FATCA Withholding” for more information on this legislation.

### **3.16 Taxation**

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 investors cannot solely rely upon the tax summary contained in this Base Prospectus or any Supplement.

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.

### **3.17 Withdrawal from or cancellation of the Public Offer and Over-subscription**

Notes may be distributed by means of a Public Offer made during an Offer Period specified in the applicable Final Terms. During such Offer Period, (i) the relevant Dealer(s) may in certain limited circumstances decide to cancel or withdraw from such offer in accordance with the Programme Agreement, or, in case of a syndicated offer, cancel the offer in accordance with the relevant subscription agreement and/or (ii) the Issuer and/or any other person specified in the applicable Final Terms may decide to scale back applications for such offer in the event of over-subscription. In such circumstances, an applicant investor may not be issued any Notes or may be issued a number of Notes which is less than the amount for which such applicant investor applied. Any payments made by an applicant investor for Notes that are not issued to such applicant investor for any such reason will be refunded. However, there will be a time lag in making any reimbursement, no Interest Amounts will be payable in respect of any such amounts and the applicant investor may be subject to reinvestment risk.

### **3.18 Early termination of the Offer Period**

The Issuer and/or the other entities specified in the applicable Final Terms may terminate the offer early by immediate suspension of the acceptance of further subscription requests and by giving notice to the public in accordance with the applicable Final Terms. Any such termination may occur, even where the maximum amount for subscription in relation to that offer (as specified in the applicable Final Terms), has not been reached and, in such circumstances, the early closing of the offer may have an impact on the aggregate number of Notes issued and, therefore, may have an adverse effect on the liquidity of the relevant Notes.

### **3.19 Delay in issuing Notes**

Investors should note that, in certain circumstances, Notes may not be issued on the originally designated issue date, for example because either the Issuer and/or any other person specified in the applicable Final Terms has reserved the right to postpone such issue date or, following the publication of a supplement to this Base Prospectus the Issuer has decided to postpone such issue date to allow investors who had made applications to subscribe for Notes before the date of publication of such supplement to exercise their right to withdraw their acceptances. In the event that the issue date is so delayed, no interest shall accrue (if applicable) until the issue date of the Notes and no compensation shall be payable.

### **3.20 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.

### **3.21 Notes in new global note form**

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note. If so specified in the applicable Final Terms, the Notes may be issued in new global note (“NGN”) form.

The NGN form has been introduced to allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the “Eurosysteem”) and intra-day credit operations by the Eurosysteem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosysteem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosysteem eligibility criteria.

### **3.22 Rounding adjustments**

Investors should note that for purposes of calculating any Interest Amount or any Redemption Amount (including an Autocall Redemption Amount) (i) in respect of any calculations required, unless otherwise specified, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded upwards) and (ii) monetary amounts will always be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the Specified Currency, 0.0005 (or, in the case of Japanese Yen, half of one unit) being rounded upwards. Further, where Notes are represented by a Global Note, Interest Amounts and Redemption Amounts shall be calculated by reference to the aggregate outstanding nominal amount of such Global Note, rather than per Calculation Amount, and rounded accordingly. As a result of such rounding, any such Interest Amounts and Redemption Amounts that are based on Reference Items may not entirely track the performance, price or level of the relevant Reference Item.

## **4 Additional risks with respect to specific types of Notes**

A wide range of Notes may be issued under the Programme. Notes may have one or more features which contain particular risks for potential investors.

Notes may or may not bear interest. Interest Amounts and Redemption Amounts may be determined on a number of different bases and Notes may accrue separate Interest Amounts determined by reference to different methodologies (each, as specified in the applicable Final Terms, an “Interest Basis”). An investor’s return on its investment in the Notes will depend, among other things, on the Interest Amounts and Redemption Amounts payable thereon.

### **4.1 Zero Coupon Notes**

Except where the Notes bear interest on a separate Interest Basis or are redeemed early, Zero Coupon Notes will bear no interest and an investor will receive no return on the Notes until redemption. Any investors holding these Notes will be subject to the risk that if the Notes are redeemed prior to their Maturity Date, an investor may not be able to reinvest the Amortised Face Amount (see below) so as to

receive returns equivalent to the Final Redemption Amount that would, absent such early redemption, have been paid on the Maturity Date.

In general, the prices at which Zero Coupon Notes trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing Notes. The longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

Zero Coupon Notes are also subject to different early redemption and late payment provisions (see Conditions 5(e)(ii) and 5(j)). In contrast to the scenario described in risk factor 3.6 above, the Early Redemption Amount for Zero Coupon Notes will be the Amortised Face Amount, which is calculated by discounting back to the relevant date of payment the amount that would otherwise have been payable at maturity, using the Amortisation Yield on an annual or semi-annual compounded basis (depending on what is specified in the applicable Final Terms).

Investors should also note that there are specific Dutch transfer restrictions for Zero Coupon Notes. Prospective Dutch Noteholders are advised to consult their professional tax advisors for further details in respect of the impact of the tax treatment on their respective investment portfolio.

#### **4.2 Fixed Rate Notes**

Fixed Rate Notes will bear interest at one or more fixed Rates of Interest, each of which will remain constant during the specified Interest Periods.

Fixed Rate Notes are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the fixed rate element of such Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase during their term, any periodic increases may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease during their term, investors are subject to the risk that the revised Rate of Interest will be below the then prevailing market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

The yield specified for Fixed Rate Notes is calculated at the Issue Date on the basis of the Issue Price, the fixed rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes. Investors should note that this is not an indication of future yield unless the Notes are held until the Maturity Date.

#### **4.3 Floating Rate Notes**

Floating Rate Notes bear interest calculated by reference to a floating Rate of Interest (a “Reference Rate”), which will be subject to market fluctuations in that Reference Rate. Such Reference Rates may be subject to fallbacks if the relevant rate is not published (see Condition 3(b)(ii)(A)). Payments on the Notes may be delayed, or be of a lower quantum than expected, as a result.

If a maximum yield is specified for Floating Rate Notes, such maximum yield will be calculated at the Issue Date on the basis of the Issue Price, the maximum floating rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes.

If a minimum yield is specified for Floating Rate Notes, such minimum yield will be calculated at the Issue Date on the basis of the Issue Price, the minimum floating rate(s) of interest, the Final Redemption Amount and the original tenor of the Notes.

The amount of interest payable on Floating Rate Notes will depend on which of the following Interest Variable Options is applicable: “Screen Rate Determination”, “Rates Variance”, “Asian Option – Interest Rates” or “Digital Option”.

#### **4.3.1 Screen Rate Determination**

If “Screen Rate Determination” is applicable, the Variable Rate of Interest to be applied will be based on the relevant benchmark Reference Rate, plus or minus the Margin (if any), after application of the Interest Multiplier (if any) to the resulting amount (see risk factor 8.3 below). Such Variable Rate of Interest will be capped at any specified Maximum Rate of Interest (see risk factor 8.4 below). In any case, the Variable Rate of Interest may be lower than market interest rates and lower than the rate of interest then payable by the Issuer on other floating rate securities.

#### **4.3.2 Rates Variance**

If “Rates Variance” is applicable, the Variable Rate of Interest to be applied will whether (i) the relevant value for Rate<sub>1</sub> (which may be a fixed percentage or based on a benchmark Reference Rate) is greater or less than (ii) the product (the “Variance Hurdle”) of the relevant value for Rate<sub>2</sub> (which may be based on a benchmark Reference Rate or be a fixed percentage) and the applicable Scaling Factor (see risk factor 8.5).

Where the Interest Multiplier is positive, if the relevant value for Rate<sub>1</sub> does not exceed the Variance Hurdle, no Interest Amount will be payable in respect of such Interest Period unless the shortfall is less than any positive Margin applicable to the Notes. Even if the relevant value for Rate<sub>1</sub> does exceed the Variance Hurdle, such excess must be greater than any negative Margin for an Interest Amount to be payable.

Conversely, where the Interest Multiplier is negative, if the relevant value for Rate<sub>1</sub> exceeds the relevant Variance Hurdle, no Interest Amount will be payable in respect of such Interest Period unless the excess is greater than any negative Margin applicable to the Notes. Even if the relevant value for Rate<sub>1</sub> does not exceed the Variance Hurdle, the value of such shortfall must be greater than any positive Margin for an Interest Amount to be payable.

Subject to the relevant Interest Multiplier and Margin, the relevant performance of the rates shall affect the amount of interest, if any, payable to Noteholders. In any case, the Variable Rate of Interest may be lower than market interest rates and lower than the rate of interest then payable by the Issuer on other floating rate securities.

#### **4.3.3 Digital Option**

If “Digital Option” is applicable, investors should consider risk factor 7.3 in connection with this risk factor 4.3.

#### **4.3.4 Asian Option – Interest Rates**

If “Asian Option – Interest Rates” is applicable, investors should consider risk factor 7.2 in connection with this risk factor 4.3.

### **4.4 Range Accrual Notes**

Range Accrual Notes will bear a fixed rate of interest on each day within the relevant Interest Period for which the specified Range Accrual Condition is satisfied. Given the potential fixed rate of interest that is payable, the risks outlined in risk factor 4.2 above apply to Range Accrual Notes. In addition, certain risks arise in connection with the particular Range Accrual Condition that applies to such Notes.



The quantum of the Interest Amount will depend on the number of days in the relevant Interest Period (N) on which the “Reference Spread” fixes at a level which satisfies the parameters for the applicable Range Accrual Condition (see Condition 3(c)(iii)). Such parameters will be set by reference to a specified Lower Threshold and, in certain cases, Upper Threshold. If the Reference Spread does not fix at a level satisfying the Range Accrual Condition on any of those days, then N will be zero and no Interest Amounts will be payable for such Interest Period. If N is greater than zero, then the applicable Range Accrual Rate of Interest will be the product of a multiplier (equal to N divided by the actual number of calendar days in such Interest Period (A)) and the specified fixed rate, but capped at any specified Maximum Rate of Interest (see risk factor 8.4 below).

The “Reference Spread” (which could be negative) will be the spread of Variable 1 (based on a benchmark Reference Rate) over Variable 2 (which will be a benchmark Reference Rate or otherwise specified to be zero). Consequently, the accrual of interest on Range Accrual Notes on any day (in other words, the value of N for any Interest Period) will depend on how the performance of Variable 1 (or, if Variable 2 is not zero, the relative performance of Variable 1 against Variable 2) compares with the parameters of the Range Accrual Condition. Small movements in the Reference Spread may, therefore, have very large effects on the value of the Notes and the amount of interest to be paid.

Range Accrual Notes may not accrue interest for extended periods of time, if at all. Range Accrual Notes may pay significantly less interest than a conventional Fixed Rate Note issued at the same time paying interest at a fixed rate equal to the maximum potential fixed rate payable on the Range Accrual Notes. This may have a detrimental effect on the market value of the Range Accrual Notes.

#### **4.5 Reference Item Linked Notes**

The Issuer may also issue Notes that pay Interest Amount(s) linked to an index, an underlying equity, an ETF share or a basket of underlying equities and/or ETF shares, an inflation index and/or a currency exchange rate (together with a Reference Rate, each a “Reference Item”) and/or a Redemption Amount(s) the timing and/or quantum of which is linked to a Reference Item that is an index, an underlying equity, an ETF share or a basket of underlying equities and/or ETF shares or a currency exchange rate (together “Reference Item Linked Notes”).

Reference Item Linked Notes involve a high degree of risk and may entail significant risks not associated with investments in a conventional debt security. 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.

**If Notes are specified to be principal protected, they are principal protected only at maturity. If Notes are specified to be principal protected, such protection is nevertheless dependent on the Issuer, failing which, the Guarantor complying with its obligations with respect to the Notes. If such Notes redeem before their scheduled maturity, except in case of an Event of Default or where their Early Redemption Amount, Autocall Redemption Amount or Optional Redemption Amount (as applicable) is specified as a higher amount, they may return less than the principal protected amount or even zero. In the case of Notes paying a Redemption Amount linked to the Reference Item which are not principal protected (where the Floor % is specified as less than 100 per cent.), 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. In the case of Notes which bear interest linked to one or more Reference Items, the Interest Amount(s) payable to Noteholders will be contingent on the performance of the relevant Reference Item(s) and on the structure of such Notes. Prospective investors in such Notes should note that, in certain circumstances, they may not receive any Interest Amount.**

Prospective investors in Reference Item Linked Notes should understand the risks inherent in linking the performance of the Notes to the relevant Reference Item(s) 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, and payments in respect of, the relevant Reference Item Linked Notes may relate, as specified in the applicable Final Terms.

As the Interest Amount(s) and Redemption Amount payable periodically or 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 knowledgeable as to, and take a view with respect to, the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s), considered in the context of the structure of such Notes.

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, of periodic payments of Interest Amounts (if specified in the applicable Final Terms) and/or a Redemption Amount on the Maturity Date, all or some of which may be determined by reference to the performance of the relevant Reference Item(s).

**PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW INTEREST AMOUNTS AND REDEMPTION AMOUNTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE, 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.

Unless otherwise redeemed or purchased and cancelled early, there is no return on Reference Item Linked Notes other than the potential payment of the relevant periodic Interest Amounts and/or Redemption Amount on maturity.

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.

Any information about the past performance of the Reference Item available at the time of issuance of the Notes should not be regarded as indicative of any future performance of such Reference Item, or as an indication of the range of, trends or fluctuations in the price or value of the Reference Item that may occur in the future. It is therefore not possible to predict the future value of the Notes based on such past performance.

#### **4.6 Autocall Notes**

Autocall Notes are a form of Reference Item Linked Note that shall be early redeemed if the parameters for the applicable Autocall Condition (see Condition 5(d)(iii)(I)) are satisfied in respect of any Autocall Observation Date. Such parameters will be set by reference to how the Autocall Variable (being the value or average value of the specified Reference Item to which the Autocall Notes are linked) performs against the product of (i) the Autocall Strike (being (i) a specified strike level, price or rate or (ii) a value or average value of the specified Reference Item) and the applicable Scaling Factor (see risk factor 8.5).

The Reference Items to which Autocall Notes may be linked are Index, Underlying Equity (which may be an ETF Share) or Basket of Underlying Equities (which may be or include an ETF Share) and Currency exchange rates. Prospective investors should also consider risk factor 4.5 above and the relevant sections of risk factor 5 relating to the specific Reference Item to which the Notes in which they wish to invest are linked.

Holders of Autocall Notes will receive the Autocall Redemption Amount together with any unpaid accrued interest thereon if the Autocall Condition is satisfied. The Autocall Redemption Amount shall either be a specified amount or an amount determined by reference to the performance of the relevant Reference Item over the specified observation period, subject to the application of the Scaling Factor (see risk factor 8.5) and the Autocall Multiplier (see risk factor 8.3).

Where the Autocall Redemption Amount is linked to the performance of the relevant Reference Item, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Autocall Redemption Amount could be less than the nominal amount of such Autocall Notes and investors could lose all or a significant portion of their investment.

## **5 Additional risks associated with Notes linked to a particular Reference Item**

### **5.1 Index Linked Notes**

#### **(i) Features**

Index Linked Interest Notes and/or Index Linked Redemption Notes may be issued under the Programme (together “Index Linked Notes”).

The amount of interest payable on Index Linked Interest Notes will depend on which of the following Interest Variable Options is specified: “Evolution of Index”, “Asian Option – Index”, “Digital Option”, “Single Fixing-Index” or “Asian Fixing-Index”. Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Index Linked Redemption Notes is determined by reference to how the value (or, as applicable, average value) of the specified Index determined at maturity has performed when compared against the product of (i) the initial value (or, as applicable, average value) of the specified Index and (ii) the applicable Scaling Factor (see risk

factor 8.5), with the result being multiplied by the relevant Index Redemption Multiplier (see risk factor 8.3). If such value at maturity is lower than the product of such initial value and the Scaling Factor, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Index Linked Redemption Notes and investors could lose all or a significant portion of their investment.

**(ii) *Index Sponsor not responsible***

Index Linked Notes are not in any way sponsored, endorsed, sold or promoted by the Index Sponsor of the relevant Index and the Index Sponsor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Index and/or the figure at which the Index stands at any particular time on any particular day or otherwise. An investor's decision to invest in the Index Linked Notes should be made without reliance on the Index Sponsor. The Index Sponsor shall not be liable (whether in negligence or otherwise) for any loss, damages, costs, charges, expenses or other liabilities including, without limitation, liability for any special, punitive, indirect or consequential damages, even if notified of the possibility of such damages to any person for any error in the Index and the Index Sponsor shall not be under any obligation to advise any person of an error therein.

**(iii) *Factors affecting the performance of the Index may adversely affect the value of the Notes***

An Index will comprise a synthetic portfolio of shares and, as such, the performance of an Index is dependent upon the macroeconomic factors relating to the shares that comprise such Index, which may include interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

**(iv) *Exposure to Index adjustments and correction of Index Levels***

The Calculation Agent has broad discretion to make certain determinations and adjustments, to replace the original index with another and/or to cause early redemption of the Notes, any of which may be adverse to Noteholders in connection with an Index Modification, Index Cancellation or Index Disruption. The Calculation Agent may determine that the consequence of any such event is to make adjustments to the Notes or to replace such Index or the value of such Index with another or to cause early redemption of the Notes. The Calculation Agent may (subject to the terms and conditions of the relevant Notes) also amend the relevant Reference Price (being the level of the Index) due to corrections in the level reported by the Index Sponsor.

**(v) *Loss of return of dividends in respect of most Index Linked Notes***

The rules governing the composition and calculation of the relevant underlying Index might stipulate that dividends distributed on its components do not lead to a rise in the Index level, for example, if it is a "price" index, which may lead to a decrease in the Index level if all other circumstances remain the same. As a result, in such cases, the Noteholders in respect of Index Linked Notes will not participate in dividends or other distributions paid on the components comprising the Index. Even if the rules of the relevant underlying Index provide that distributed dividends or other distributions of the components are reinvested in the Index and therefore result in raising its level, in some circumstances, the dividends or other distributions may not be fully reinvested in such Index.

(vi) ***A change in the composition or discontinuance of an Index could adversely affect the market value of the Notes***

The Index Sponsor of any Index can add, delete or substitute the components of such Index or make other methodological changes that could change the level of one or more components. The modification of components of any Index may affect the level of such Index, as a newly added component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the Issuer to the Noteholders. The sponsor of any such Index may also alter, discontinue or suspend calculation or dissemination of such Index. The Index Sponsor of an Index will have no involvement in the offer and sale of the Notes and will have no obligation to any investor in such Notes. The Index Sponsor may take any actions in respect of such Index without regard to the interests of the investor in the Notes, and any of these actions could adversely affect the market value of the Notes.

(vii) ***Exposure to the risk that returns on the Index Linked Notes do not reflect direct investment in underlying equities comprising the Index***

The return payable on Index Linked Notes may not reflect the return an investor would realise if it actually owned the relevant equities comprising the components of the Index. For example, Noteholders will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant Index takes such dividends into account for purposes of calculating the relevant level. Similarly, Noteholders will not have any voting rights in the underlying equities or any other assets which may comprise the components of the relevant Index. Accordingly, Noteholders holding Index Linked Redemption Notes may receive a lower payment upon redemption of such Notes than such investor would have received if it had invested in the components of the Index directly.

## 5.2 Equity Linked Notes

(i) ***Features***

Equity Linked Interest Notes and/or Equity Linked Redemption Notes may be issued under the Programme (together the “Equity Linked Notes”).

The amount of interest payable on Equity Linked Interest Notes will depend on which of the following Interest Variable Options is specified: “Evolution of Underlying Equity” or “Evolution of Basket of Underlying Equities”, “Asian Option – Underlying Equity” or “Asian Option – Basket of Underlying Equities” or “Digital Option”. Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Equity Linked Redemption Notes is determined by reference to how the value (or, as applicable, average value) of the specified Underlying Equity / Basket of Underlying Equities determined at maturity has performed when compared against the product of (i) the initial value (or, as applicable, average value) of the specified Underlying Equity / Basket of Underlying Equities and (ii) the applicable Scaling Factor (see risk factor 8.5), with the result being multiplied by the relevant Equity Redemption Multiplier (see risk factor 8.3). If such value at maturity is lower than the product of such initial value and the Scaling Factor, unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Equity Linked Redemption Notes and investors could lose all or a significant portion of their investment.

(ii) ***Factors affecting the performance of the Underlying Equities may adversely affect the value of the Notes***

The performance of equities is dependent upon macroeconomic factors, such as interest rates and price levels on the capital markets, currency developments, political factors and company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

(iii) ***Determinations made by the Calculation Agent in respect of Potential Adjustment Events, other relevant events or Additional Disruption Events may have an adverse effect on the value of the Notes***

In case a specified Potential Adjustment Event occurs which according to the Calculation Agent has a diluting, concentrative or other effect on the theoretical value of the Underlying Equity or Equities (which may be or include an ETF Share), or where other extraordinary events occur that comprise a De-listing, Merger Event, Nationalisation, Insolvency (other than in respect of an ETF Share) and/or Tender Offer in relation to such an Underlying Equity or Equity Issuer, (i) the Calculation Agent has broad discretion (in certain cases at the direction of the Issuer) to make certain determinations to account for such event, including to make adjustments to the terms of the Notes and/or (ii) (in the case of such other specified extraordinary events) the Issuer may early redeem the Notes. Any of the abovementioned determinations may have an adverse effect on the value of the Notes.

(iv) ***No claim against the Equity Issuer of the Underlying Equities or recourse to the Underlying Equities***

Equity Linked Notes do not represent a claim against or an investment in any Equity Issuer (which includes any ETF Issuer in the content of an ETF Share) to which they are linked and Noteholders will not have any right of recourse under the Notes to any such Equity Issuer or the equities. The Notes are not in any way sponsored, endorsed or promoted by any Equity Issuer and such companies have no obligation to take into account the consequences of their actions for any Noteholders. Accordingly, the Equity Issuer may take any actions in respect of such Underlying Equity without regard to the interests of the Noteholders, and any of these actions could adversely affect the market value of the Notes.

In the case of Notes relating to Underlying Equities, no Equity Issuer (which includes any ETF Issuer in the content of an ETF Share) will have participated in the preparation of the relevant Conditions and/or Final Terms of the Notes and neither the Issuer nor any Dealer will make any investigation or enquiry in connection with such offering with respect to the information concerning any such Equity Issuer contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date (including events that would affect the accuracy or completeness of the publicly available documents described in this paragraph or in any relevant Final Terms) that would affect the trading price of the Underlying Equities will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an Equity Issuer could affect the trading price of the Underlying Equities and therefore the trading price of the Notes.

(v) ***Additional risks associated with ETF Shares as Underlying Equities***

(a) *Where the Underlying Equity is an ETF Share, there may be divergence from its underlying share, basket or index*

Where the Notes are linked to an ETF and the investment objective of such ETF is to track the performance of a share, basket or an index, the investors in such Notes are exposed to the performance of such ETF share rather than the underlying share, basket or index such ETF share tracks. For certain reasons, including to comply with certain tax and regulatory constraints, an ETF may not be able to track or replicate the underlying share, basket (or any constituent thereof) or index, which could give rise to a difference between the performance of the underlying share, basket or index and such ETF share. Accordingly, investors who purchase Notes that are linked to an ETF may receive a lower return than if such investors had invested in the share, basket or the index underlying such ETF share directly.

*(b) Action by ETF Adviser, ETF Administrator or sponsor of an ETF may adversely affect the Notes*

Any relevant ETF Adviser, ETF Administrator or sponsor of an ETF will have no involvement in the offer and sale of the Notes and will have no obligation to any investor in such Notes. Any such ETF Adviser, ETF Administrator or sponsor of an ETF may take any actions in respect of such ETF without regard to the interests of the Noteholders, and any of these actions could adversely affect the market value of the Notes.

### **5.3 Inflation Linked Interest Notes**

#### **(i) Features**

Inflation Linked Interest Notes may be issued under the Programme.

The amount of interest payable on Inflation Linked Interest Notes will depend on which of the following Interest Variable Options is specified: “Evolution of Inflation”, “Asian Option – Inflation or “Digital Option”. Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

#### **(ii) Inflation Index Sponsor not responsible**

Inflation Linked Interest Notes are not in any way sponsored, endorsed, sold or promoted by the Inflation Index Sponsor of the relevant Inflation Index and the Inflation Index Sponsor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the figure at which the Inflation Index stands at any particular time on any particular day or otherwise. An investor’s decision to invest in the Inflation Linked Interest Notes should be made without reliance on the Inflation Index Sponsor. The Inflation Index Sponsor shall not be liable (whether in negligence or otherwise) for any loss, damages, costs, charges, expenses or other liabilities including, without limitation, liability for any special, punitive, indirect or consequential damages, even if notified of the possibility of such damages to any person for any error in the Inflation Index and the Inflation Index Sponsor shall not be under any obligation to advise any person of an error therein.

#### **(iii) Factors affecting the performance of the Inflation Index may adversely affect the value of the Inflation Linked Interest Notes**

Movements in the level of the Inflation Index 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 Inflation Index may affect the actual yield to investors, even if the average level is consistent with their expectations.

Many economic and market factors may influence the value of Inflation Linked Interest Notes including, inter alia, (i) general economic, financial, political or regulatory conditions; (ii) fluctuations in the prices of various consumer goods and energy resources; and (iii) inflation and expectations concerning inflation. Any such factors may either offset or magnify each other.

**(iv) *Adjustments by the Calculation Agent and corrections of certain manifest errors***

The Calculation Agent will adjust or replace the Inflation Index in accordance with Condition 8 when it determines there is a delay in the publication of the Inflation Index, a cessation of publication of the Inflation Index, a manifest error in the publication of the Inflation Index, a rebasing of the Inflation Index or a material modification prior to the relevant payment date. The Calculation Agent may (subject to the terms and conditions of the relevant Notes) also amend the relevant Reference Price (being the level of the Inflation Index) due to corrections in the level reported by the Index Sponsor to remedy a manifest error within 30 days of publishing. Any corrections published thereafter will be disregarded for the purpose of the Notes.

In certain circumstances where the Inflation Index has not been published or announced by the Inflation Index Sponsor for two consecutive months or such other specified period and/or an Inflation Index Sponsor announces that it will no longer continue to publish or announce such Inflation Index, the Calculation Agent may make such adjustment(s) to the Conditions as it deems necessary or appropriate to account for any such replacement. If the Calculation Agent determines that there is no appropriate alternative inflation index, the Issuer shall redeem all the Notes at their Early Redemption Amount.

## **5.4 Currency Linked Notes**

**(i) *Features***

Currency Linked Interest Notes and/or Currency Linked Redemption Notes may be issued under the Programme.

The amount of interest payable on Currency Linked Interest Notes will depend on which of the following Interest Variable Options is specified: “Evolution of Currency”, “Asian Option – Currency” or “Digital Option. Prospective investors should consider the relevant sections of risk factor 7 relating to the specific Interest Variable Option specified for the Notes in which they wish to invest.

The Redemption Amount payable on Currency Linked Redemption Notes is determined by reference to how the value (or, as applicable, average value) of the specified currency exchange rate determined upon issue has changed when compared against the product of (i) the value (or, as applicable, average value) of the specified currency exchange rate at maturity and (ii) the applicable Scaling Factor (see risk factor 8.5), with the result being multiplied by the relevant Currency Redemption Multiplier (see risk factor 8.3). If such value upon issue was lower than the product of such value at maturity and the Scaling Factor, then unless the Floor % is specified in the applicable Final Terms to be greater than or equal to 100 per cent., the Redemption Amount could be less than the nominal amount of such Currency Linked Redemption Notes and investors could lose all or a significant portion of their investment.

**(ii) *Factors affecting the performance of the relevant foreign exchange rate may adversely affect the value of the Notes***

The foreign exchange rate(s) to which the Notes are linked will affect the nature and value of the investment return on the Notes. The performance of foreign exchange rates is dependent



upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency.

**(iii) *Market Disruption***

If a Currency Disruption Event occurs, the calculation method of the Interest Amount and/or Redemption Amount for the Currency Linked Interest Notes may be adjusted or the Notes may be early redeemed.

In case any Valuation Date on which a Reference Price is scheduled to be determined is a Disrupted Day, the Calculation Agent may in its sole and absolute discretion (i) deduct from the relevant Interest Amount and/or Redemption Amount an amount calculated by the Calculation Agent as representing the cost, expense, charge and/or deduction arising in connection with such Currency Disruption Event(s) or make any other adjustment with respect thereto; and/or (ii) postpone any date for payment of the relevant Interest Amount; and/or (iii) in the case of a “Price Source Disruption”, specify and adopt an appropriate alternate fallback or alternative price or rate source or method of determination selected by the Calculation Agent in its sole discretion or a replacement of any one or more relevant currencies, as the case may be; and/or (iv) redeem all of the Currency Linked Notes at their Early Redemption Amount. Notwithstanding the above, if such a Valuation Date relates to an Averaging Payment, such Valuation Date will be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Interest Amount and/or Redemption Amount in accordance with the above unless, through operation of this provision, there would not be any Valuation Date with respect to the date for payment of the relevant Interest Amount or Redemption Amount.

**(iv) *Foreign exchange dealers and conflicts of interest***

Investors should note that certain Affiliates of the Issuer are regular participants in the foreign exchange markets and in the ordinary course of their business may effect transactions for their own account or for the account of their customers and hold long and short positions in currencies and related derivatives, including in the currencies of the relevant foreign exchange rate(s). Such transactions may affect the relevant foreign exchange Rate(s), the market price, liquidity or value of the Notes and could be adverse to the interests of Noteholders. No Affiliate of the Issuer has any duty to enter into such transactions in a manner which is favourable to Notes. See risk factor 3.6 Conflicts of interest.

**(v) *Currencies of emerging markets jurisdictions pose particular risks***

Currency Linked Notes linked to emerging market currencies may experience greater volatility and less certainty as to the future levels of such emerging market currencies or their rate of exchange as against other currencies. See risk factor 6.2.

## 6 Additional risks associated with Reference Item Linked Notes

### 6.1 Specific hedging risks relating to Reference Item Linked Notes

Prospective purchasers intending to purchase Notes to hedge against the market risk associated with investing in the Reference Item(s) relating thereto, should recognise the complexities of utilising Notes in this manner. For example, the value of the Notes may not exactly correlate with the value of the relevant Reference Item(s). Due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with movements of the relevant Reference Item(s). For these reasons, among others, it may not be possible to purchase or liquidate Notes in a portfolio at the prices used to calculate the value of any relevant Reference Item(s).

### 6.2 Emerging market

Where the Notes relate to Reference Items which involve emerging market countries, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries.

Notes that are linked to Reference Items involving an emerging market should be considered speculative. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for such currency in the global markets.

## 7 Risks associated with particular structured interest pay-outs

### 7.1 Evolution Interest Pay-outs

Reference Item Linked Notes that bear interest by reference to the change in value of the relevant Reference Item over a specified observation period have similar characteristics and give rise to certain common risks. Whilst the risks connected with the particular Reference Item will differ (see the relevant section of risk factor 5 in this respect), investors in the following types Notes should consider the further risks highlighted below: (i) Index Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Index, (ii) Equity Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Underlying Equity or Evolution of Basket of Underlying Equities, (iii) Inflation Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Inflation and (iv) Currency Linked Interest Notes for which the Interest Variable Option is specified to be Evolution of Currency.

Each Interest Amount payable on such Notes is determined by reference to how (i) the value of the specified Reference Item determined for the relevant interest period (the “Latest Value”) has increased or decreased from (ii) the product of the Scaling Factor (see risk factor 8.5) and the value for the immediately preceding interest period (or, for the first variable rate, the initial value) (the “Previous Value”) and, after application of the Scaling Factor, the “Evolution Hurdle Value”). Such increase or decrease in value is expressed as a percentage of the Previous Value (the “Evolution”), following which the Margin (if any) is added or subtracted and the result is multiplied by the applicable Interest Multiplier (see risk factor 8.3).

Currency Linked Interest Notes differ as a result of the basis on which currency exchange rates are published, such that Latest Value and Previous Value are reversed (the Previous Value is compared with the product of (i) the Scaling Factor (see risk factor 8.5) and (ii) the Latest Value (such product

being the “Evolution Hurdle Value” for the purposes of Currency Linked Interest Notes). Otherwise, the pay-out operates identically.

Where the Interest Multiplier is positive, if such Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) does not exceed the relevant Evolution Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the shortfall when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) is less than any positive Margin applicable to the Notes. Even if the Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) does exceed the relevant Evolution Hurdle Value, such excess when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) must be greater than any negative Margin for an Interest Amount to be payable.

Conversely, where the Interest Multiplier is negative, if such Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) exceeds the relevant Evolution Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the excess when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) is greater than any negative Margin applicable to the Notes. Even if the Latest Value (or, in respect of Currency Linked Interest Notes, the Previous Value) does not exceed the relevant Evolution Hurdle Value, the value of such shortfall when presented as a percentage against the Previous Value (or, in respect of Currency Linked Interest Notes, the Latest Value) must be greater than any positive Margin for an Interest Amount to be payable.

Subject to the relevant Interest Multiplier, Margin and Reference Item to which such Notes are linked, the performance of the relevant Reference Item shall affect the amount of interest, if any, payable to Noteholders.

## **7.2 Asian Option Pay-outs**

Reference Item Linked Notes that bear interest by reference to the average value of the relevant Reference Item over a number (n) of specified observation dates in respect of an Interest Period have similar characteristics and give rise to certain common risks. Whilst the risks connected with the particular Reference Item will differ (see the relevant section of risk factor 5 in this respect), investors in the following types Notes should consider the risks highlighted below: (i) Floating Rate Notes for which the Interest Variable Option is specified to be Asian Option – Interest Rates, (ii) Index Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Index, (iii) Equity Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Underlying Equity / Basket of Underlying Equities, (iv) Inflation Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Inflation and (v) Currency Linked Interest Notes for which the Interest Variable Option is specified to be Asian Option – Currency.

Each Interest Amount payable on such Notes is determined by reference to how (i) the average of the values of the specified Reference Item that could be determined for each of “n” observation dates relating to the relevant interest period (the result, after application of any of the potential adjustments below, the “Latest Average Value”) has increased or decreased from (ii) the product of the Scaling Factor (see risk factor 8.5) and the average of the values of the Reference Item determined for the initially specified observation dates (the “Initial Value” and, after application of the Scaling Factor, the “Asian Hurdle Value”). Such increase or decrease in average value is expressed as a percentage of the Initial Value (the “Asian Performance”), following which the Margin (if any) is added or subtracted and the result is multiplied by the applicable Interest Multiplier (see risk factor 8.3).

Currency Linked Interest Notes differ as a result of the basis on which currency exchange rates are published, such that Latest Average Value and Initial Value are reversed (the Initial Value being compared being with the product of (i) the Scaling Factor (see risk factor 8.5) and (ii) the Latest Average Value (such product being the “Asian Hurdle Value” for the purposes of Currency Linked Interest Notes)). Otherwise, the pay-out operates identically.

Floating Rate Notes also differ when applying an Asian Option Interest Variable Option, such that the Interest Amount is solely based on the Latest Average Value, plus or minus the Margin (if any), with the result being multiplied by the applicable Interest Multiplier (see risk factor 8.3). This is because Rates Variance (see risk factor 4.3.2) covers the relative change in interest rates over a specified observation period.

Where the Interest Multiplier is positive (excluding Floating Rate Notes for this purpose), if such Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) does not exceed the relevant Asian Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the shortfall when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) is less than any positive Margin applicable to the Notes. Even if the Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) does exceed the relevant Asian Hurdle Value, such excess when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) must be greater than any negative Margin for an Interest Amount to be payable.

Conversely, where the Interest Multiplier is negative, if such Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) exceeds the relevant Asian Hurdle Value, no Interest Amount will be payable in respect of such Interest Period unless the excess when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) is greater than any negative Margin applicable to the Notes. Even if the Latest Average Value (or, in respect of Currency Linked Interest Notes, the Initial Value) does not exceed the relevant Asian Hurdle Value, the value of such shortfall when presented as a percentage against the Initial Value (or, in respect of Currency Linked Interest Notes, the Latest Average Value) must be greater than any positive Margin for an Interest Amount to be payable.

Subject to the relevant Interest Multiplier, Margin and Reference Item to which such Notes are linked, the performance of the relevant Reference Item shall affect the amount of interest, if any, payable to Noteholders.

Where the price, level, or rate of the applicable Reference Item is unable to be determined on the relevant observation date contemplated under the Conditions of the Notes, then the Calculation Agent will apply different fallback adjustment mechanisms to deal with such disruption event. Such adjustments may result in that relevant observation date being omitted, postponed or replaced with a different observation date that is not otherwise used for such Interest Period, in each case depending on what type of Reference Item the Notes are linked to and what elections are made in the applicable Final Terms. The relevant adjustment mechanism may reduce the number of averaging dates (n) that are used to determine the value of the Reference Item, or may result in the same value being used more than once.

### **7.3 Digital Option Pay-outs**

Reference Item Linked Notes with Digital Option pay-outs will bear interest that depends on whether the relevant Digital Option Payment Condition is satisfied for the relevant Interest Period. Whilst the risks connected with the particular Reference Item will differ (see the relevant section of risk factor 5 in this respect), investors in the following types Notes should consider the risks highlighted below:

Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes and Currency Linked Interest Notes, in each case for which the Interest Variable Option is specified to be Digital Option.

If the Digital Option Variable, when compared to the product of (i) the Digital Option Strike and the (ii) Scaling Factor, satisfies the parameters of the relevant Digital Option Payment Condition, then the Notes may bear interest at a fixed rate or at a floating rate based on a Screen Rate Determination, which floating rate may be subject to an Interest Multiplier and a Margin (each of which may independently be positive or negative). It is also possible that a minimum and maximum rate of interest is applied, such that the rate can not be below or exceed such collar boundaries. If the Digital Option Payment Condition is not satisfied, then either a fallback rate of interest based on similar methodologies may be applicable or no interest shall apply. Consequently, depending on the particular terms of such Notes, investors should also consider in particular risk factors 4.2, 4.3, 8.3, 8.4 and 8.5.

The Digital Option Variable will be a value of the relevant Reference Item that is determined for each Interest Period. The corresponding Digital Option Strike may either be (i) a specified level, price or rate or (ii) a value of the relevant Reference Item determined on a different basis to the Digital Option Variable.

Small movements in the Digital Option Variable may have very large effects on the value of the Notes and the Interest Amounts to be paid. The market value of Digital Option Notes is typically more volatile than market value of other conventional Floating Rate or Reference Item Linked Notes or other equivalent interest bearing Notes linked to the same interest variables and prospective investors in such Notes should note that, in certain circumstances, they may not receive any interest.

#### **7.4 Single Fixing – Index and Asian Fixing - Index**

Index Linked Interest Notes with an Interest Variable Option specified as Single Fixing – Index or Asian Fixing – Index will bear interest depending on the value or average value of the relevant Index that is determined for a particular Interest Period.

If the Interest Multiplier is positive and such value or average value, when divided by the specified Denominator, is less than any negative Margin, no Interest Amount will be payable. If the Interest Multiplier is negative and such value or average value, when divided by the specified Denominator, is greater than any negative Margin, no Interest Amount will be payable.

Subject to the relevant Interest Multiplier, Margin and Denominator, the performance of the relevant Index shall affect the amount of interest, if any, payable to Noteholders.

### **8 Further Risks related to particular features that may apply to an issue of Notes**

A wide range of additional features may apply to Notes issued under the Programme. A number of these features give rise to particular risks for potential investors.

#### **8.1 Notes with more than one Interest Basis**

Notes may bear interest on different Interest Bases. In such case, investors should carefully review the applicable Conditions and the risk factors for each specified Interest Basis together.

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

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

### **8.3 Notes with Multipliers**

Notes with variable interest rates and redemption payments can be volatile investments. Where any one or more of an Interest Multiplier, Autocall Multiplier, Index Redemption Multiplier, Equity Redemption Multiplier or Currency Redemption Multiplier (each, a “Multiplier”) applies to the Notes, their market value may be even more volatile than for Notes that do not include such feature(s).

The Multiplier will determine the level of exposure of the investor to the Reference Item and will be specified as a percentage. A Multiplier (other than an Autocall Multiplier) may be a positive or a negative number.

If the Multiplier is lower than 100 per cent., it may reduce the effects of the gains and losses on the Reference Item. If the Reference Item is performing well, Noteholders will not benefit from the positive performance of the underlying Reference Item to the fullest extent.

If the Multiplier is higher than 100 per cent., the exposure of the Noteholders to the effects of the losses and gains on the Reference Item will be increased. If the Reference Item is not performing well, investors may receive a lower Interest Amount, Redemption Amount or Autocall Redemption Amount.

If a Multiplier is specified as a negative percentage, investors will generally benefit from under-performance of the relevant Reference Item, subject to the application of a Scaling Factor and/or Margin.

### **8.4 Notes where a Minimum and/or Maximum Rate of Interest applies**

Notes where a Minimum and/or Maximum Rate of Interest applies, will be less exposed to the positive and negative performance or fluctuations of the Reference Item.

Notes where a Minimum Rate of Interest or a Floor Rate or Floor % applies to a particular Interest Basis, have an interest rate that is subject to a minimum specified rate. The minimum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is lower than the minimum specified rate, in which case the Rate of Interest will be limited to the Minimum Rate of Interest specified in the Final Terms.

Investors in such Notes will therefore not be subject to any decreases in the relevant Reference Rate or value of the Reference Item which would otherwise have led to an interest rate below the minimum specified rate. The investor will be protected, to the extent of the applicable Minimum Rate of Interest, from the negative performance of the Reference Item or the decreasing Reference Rate.

Notes where a Maximum Rate of Interest or Cap Rate or Cap % applies to a particular Interest Basis, have an interest rate that is subject to a maximum specified rate. The maximum Interest Amount payable in respect of such Interest Basis will occur when the applicable formula leads to a Rate of Interest which is higher than the maximum specified rate, in which case the Rate of Interest will be limited to the Maximum Rate of Interest specified in the Final Terms. Investors in such Notes will therefore not benefit from any increase in the relevant Reference Rate or value of the Reference Item which would otherwise cause such interest rate to exceed the maximum specified rate. The market value of these Notes would therefore typically fall the closer the maximum specified rate.

### **8.5 Scaling factor**

A Scaling Factor other than 100 per cent. will change both the extent to which the Reference Item’s performance must vary in order to create a payment for the Noteholders, and the quantum of such payment. Depending on the other variables applicable to the Notes, in particular whether there is a negative Interest Multiplier, a Scaling Factor may or may not be detrimental to Noteholders’ interests.

If any Interest Amount or Redemption Amount is based on the positive performance (requiring an increase in value) of the Reference Item during the relevant Interest Period or the term of the Notes, the application of a Scaling Factor of less than 100 per cent. to the initial value of such Reference Item will increase both the likelihood of such payment becoming due, and its ultimate quantum. Conversely, if such a Scaling Factor were greater than 100 per cent., then the Reference Item will have to perform to a greater extent to ensure that it exceeds the initial value multiplied by the Scaling Factor.

Generally, if a Reference Item is applied to Notes in conjunction with a Multiplier greater than 100 per cent. or contains some other leverage factor, such as the Scaling Factor, the effect of changes in the Reference Item on the principal or Interest Amount payable is likely to be magnified.

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

An optional redemption feature permitting the Issuer to call the Notes early is likely to limit the market value of Notes. If the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the Optional Redemption Amount at which they would be redeemed.

The Issuer may be expected to redeem all the 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.

#### **8.7 Cessation of Reference Rate**

If the Reference Rate required to make calculations on the Notes has ceased to be calculated and/or published and the Calculation Agent determines no successor or replacement rate to have been established, the Issuer may redeem the Notes at their Early Redemption Amount together (if appropriate) with accrued interest. At such time, Noteholders may 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.

#### **8.8 Additional Disruption Events**

The Issuer may specify in the Final Terms any of the following Additional Disruption Events: “Change in Law”, “Hedging Disruption”, “Increased Cost of Hedging”, “Increased Cost of Stock Borrow” (applicable only for Equity Linked Notes and Index Linked Notes), “Insolvency Filing” (applicable only for Equity Linked Notes) and/or “Loss of Stock Borrow” (applicable only for Equity Linked Notes and Index Linked Notes) as Additional Disruption Event.

In case such specified Disruption Event occurs, the Issuer may in its sole discretion (a) require the Calculation Agent to determine the appropriate adjustment to the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or (b) redeem all Notes at the Early Redemption Amount.

#### **8.9 Alternative Currency Provisions**

If the applicable Final Terms specify that “Alternative Currency Provisions” are applicable, then if the Issuer in agreement with the Calculation Agent determines that it would be commercially impracticable for the Issuer to satisfy any payment obligation in respect of the Notes when due in the Scheduled Currency as a result of a Specified Currency Disruption Event, the Issuer in its sole and absolute discretion may either (i) postpone the obligation to pay, (ii) replace the payment obligation by

an obligation to make payment of the Alternative Currency Equivalent or (iii) redeem all but not part of the Notes.

Investors should note that in case the obligation to pay is being postponed, the relevant payment will be due on the date so postponed (within the Maximum Alternative Currency Number Business Days), investors shall receive no Interest Amounts or other sums payable in respect of the postponement of the payment of such amount.

Investors should note that the Calculation Agent shall determine any alternative rate or currency in a commercially reasonable manner. There is risk that the amounts to be paid to investors will therefore be determined in a manner other than what investors may have expected.

In making any determination in respect of any Specified Currency Disruption Event, neither the Issuer nor the Calculation Agent shall have regard to any interests arising from circumstances particular to any one or more Noteholders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for any one or more Noteholders (whatever their number), resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof.

No Noteholder shall be entitled to claim, from the Issuer or the Calculation Agent or any other person, any indemnification or payment in respect of any tax consequences or other losses of any such determination upon individual any Noteholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 10 by the Issuer or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

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

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

### **9.1 Impact of fees, commissions and/or inducements on the Issue Price and/or offer price**

Investors should note that the issue price and/or offer price of any issue of Notes may include subscription fees, placement fees, direction fees, structuring fees and/or other additional costs. Any such fees and/or other commissions and inducements will be disclosed to investors in the applicable Final Terms. Any such fees may not be taken into account for the purposes of determining the price of such Notes on the secondary market and could result in a difference between the original issue price and/or offer price, the theoretical value of such Notes, and/or the actual bid/offer price quoted by any intermediary in the secondary market.

Any such difference may have an adverse effect on the value of Notes, particularly immediately following the offer and the issue date relating to such Notes, where any such fees and/or costs may be deducted from the price at which such Notes can be sold by the initial investor in the secondary market.

### **9.2 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 and an investor may not be able to find a timely and/or suitable counterpart. 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 or at prices higher than the relevant investor's initial investment. Investors seeking to liquidate/sell positions in the Notes prior to the stated maturity date may receive substantially less than their original purchase price. Therefore, in establishing their investment strategy, investors should ensure that the term of the Notes is in line with their future liquidity requirements. 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. The liquidity of Notes is also influenced by whether or not the relevant Notes are exclusively offered to retail investors without any offer to institutional investors. To the extent that an issue of Notes is or becomes illiquid, investors may have to hold the relevant Notes until maturity before they are able to realise value.

The Issuer may, but is not obliged to, list an issue of Notes on a stock exchange or regulated market. If Notes are not listed or traded on any stock exchange or regulated market, pricing information for the relevant Notes may be more difficult to obtain and the liquidity of such Notes may be adversely affected, and therefore the price of the Notes could be affected by their limited liquidity.

If Notes are not listed or traded on a stock exchange or regulated market, they may be traded on trading systems governed by the laws and regulations in force from time to time (e.g. multilateral trading systems or "MTF") or in other trading systems (e.g. bilateral systems, or equivalent trading systems). In the event that trading in such Notes takes place outside any such stock exchange, regulated market or trading systems, the manner in which the price of such Notes is determined may be less transparent and the liquidity of such Notes may be adversely affected. Investors should note that the Issuer does not grant any warranty to Noteholders as to the methodologies used to determine the price of Notes which are traded outside a trading system, however, where the Issuer or any of its Affiliates determines the price of such Notes, it will take into account the market parameters applicable at such time in accordance with applicable provisions of law. Even if Notes are listed and/or admitted to trading, this will not necessarily result in greater liquidity.

Each of the Issuer, the Guarantor and any Dealer may, but is not obliged to, at any time purchase Notes at any price in the open market or by tender or private agreement. Any Notes so purchased may be held or resold or surrendered for cancellation. If any Notes are redeemed in part, then the number of Notes outstanding will decrease, which will reduce liquidity for the outstanding Notes. Any such activities may have an adverse effect on the price of the relevant Notes in the secondary market and/or the existence of a secondary market.

Any Dealer or any of its Affiliates may, but is not obliged to, be a market maker, liquidity provider, specialist or bid intermediary, for an issue of Notes. Even if a Dealer is a market-maker, liquidity provider, specialist or bid intermediary for an issue of Notes, the secondary market for such Notes may be limited and there is no assurance given as to the price offered by a market-maker, liquidity provider, specialist or bid intermediary or the impact of any such quoted prices on those available in the wider market and any such activities may be affected by legal restrictions in certain jurisdictions.

The appointment of an entity acting as a market maker, liquidity provider, specialist or bid intermediary with respect to the Notes, may, under certain circumstances, have a relevant impact on the price of the Notes in the secondary market.

There may be less liquidity in the secondary market for the Notes also if they are exclusively offered to retail investors without any offer to institutional investors.

If it is possible to sell Notes, they would be sold for the prevailing bid price in the market and may be subject to a transaction fee. The prevailing bid price may be affected by several factors including the performance of any relevant Reference Item, prevailing interest rates at the time of sale, the time remaining to the stated maturity date, the creditworthiness of the Issuer and factors affecting the capital markets generally. The introduction of additional or competing products in the market may also have a negative effect on the price of any Notes. It is therefore possible that an investor selling Notes in the secondary market may receive substantially less than their original purchase price.

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

The Issuer will pay principal and any Interest Amounts 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 or the ability of the Issuer or the Guarantor to make payment in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Where the Notes are denominated in a Specified Currency from an emerging or volatile market, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries. Such Notes should be considered speculative. Economies in emerging or volatile markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for such currency in the global markets. These factors will also impact the market value of the Notes (see risk factor 9.4 Market Value of Notes).

### **9.4 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) 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;
- (iii) market interest and yield rates;
- (iv) fluctuations in exchange rates;
- (v) liquidity of the Notes or any Reference Item(s) in the secondary market;
- (vi) the time remaining to any redemption date or the maturity date;

- (vii) 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.

#### **9.5 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.

In general, European regulated investors are restricted under the CRA Regulation (as defined on the cover page of this Base Prospectus) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Notes and Markets Authority ("ESMA") on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

#### **9.6 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 advisers 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.**

## IMPORTANT INFORMATION

*This section sets out important information relating to the public offers of Non-Exempt PD Notes generally.*

### IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NON-EXEMPT PD NOTES

#### **Restrictions on Public Offers of Non-Exempt PD Notes in Relevant Member States**

Certain Tranches of Non-Exempt PD Notes with a denomination of less than EUR 100,000 (or its equivalent in any other currency) may, subject as provided below, be offered in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a “Public Offer”.

This Base Prospectus has been prepared on the basis that it permits Public Offers in Belgium, Luxembourg and/or The Netherlands (together, the “Public Offer Jurisdictions” and each, a “Public Offer Jurisdiction”). Any person making or intending to make a Public Offer of Non-Exempt PD Notes on the basis of this Base Prospectus must do so only with the Issuer’s and the Guarantor’s consent (see “*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*” below) and the terms of that consent are complied with by the person (the “Offeror”) making the Public Offer of such Non-Exempt PD Notes.

If the Issuer intends to make or authorise any Public Offer of Non-Exempt PD Notes to be made in one or more Relevant Member States other than the Public Offer Jurisdictions, it will prepare a supplement to this Base Prospectus specifying such Relevant Member State(s) and any additional information required by the Prospectus Directive in respect thereof. Such supplement will also set out provisions relating to the Issuer’s consent to use this Base Prospectus in connection with any such Public Offer.

Save as provided above, none of the Issuer, the Guarantor or any Dealer has authorised, nor do they authorise, the making of any Public Offer of the Non-Exempt PD Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

#### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

In the context of any Public Offer of Non-Exempt PD Notes in a Public Offer Jurisdiction, the Issuer and the Guarantor accept responsibility, in each Public Offer Jurisdiction, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an “Investor”) to whom an offer of any Non-Exempt PD Notes is made by any financial intermediary to whom each of the Issuer and the Guarantor has given its consent to use the Base Prospectus (an “Authorised Offeror”), where the offer is made in compliance with all conditions attached to the giving of the consent. Such consent and conditions are described below under “*Consent*” and “*Common conditions to consent*”. None of the Issuer, the Guarantor or any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

**Save as provided below, none of the Issuer, the Guarantor or any Dealer has authorised the making of any Public Offer and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Non-Exempt PD Notes. Any Public Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Guarantor or any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.**

If, in the context of a Public Offer, an Investor is offered Non-Exempt PD Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

### **Consent**

Subject to the conditions set out below under “*Common conditions to consent*”:

- (A) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of the Non-Exempt PD Notes in a Public Offer Jurisdiction by the relevant Dealer and by:
  - (i) any financial intermediary named as an Initial Authorised Offeror in the applicable Final Terms, and
  - (ii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (*www.kbc.com*) and identified as an Authorised Offeror in respect of the relevant Public Offer, and
- (B) if (and only if) Part B of the applicable Final Terms specifies “*General Consent*” as “*Applicable*”, the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Non-Exempt PD Notes in a Public Offer Jurisdiction by any financial intermediary which satisfies the following conditions:
  - (i) it is authorised to make such offers under the applicable legislation implementing MiFID, and
  - (ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*“We, [insert legal name of financial intermediary], refer to the [insert title of relevant Non-Exempt PD Notes] (the “Notes”) described in the Final Terms dated [insert date] (the “Final Terms”) published by KBC Ifima N.V. (the “Issuer”). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [Belgium], [Luxembourg] [and] [The Netherlands] (the “Public Offer”) in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Public Offer accordingly.”*

The “Authorised Offeror Terms” are that the relevant financial intermediary:

- (I) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer, the Guarantor and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:
  - (a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “Rules”) including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Non-Exempt PD Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer, the Guarantor, and the relevant Dealer if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

- (b) comply with the restrictions set out under “*Subscription and Sale*” in this Base Prospectus which would apply as if it were a Dealer;
- (c) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Non-Exempt PD Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- (d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Non-Exempt PD Notes under the Rules;
- (e) comply with applicable anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Non-Exempt PD Notes by the Investor), and will not permit any application for Non-Exempt PD Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Issuer, the Guarantor and/or the relevant Dealer or directly to the appropriate authorities with jurisdiction over the Issuer, Guarantor and/or the relevant Dealer in order to enable the Issuer, the Guarantor, and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules applying to the Issuer, the Guarantor, and/or the relevant Dealer;
- (g) ensure that no holder of Non-Exempt PD Notes or potential Investor in the Non-Exempt PD Notes shall become an indirect or direct client of the Issuer, the Guarantor, or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (h) co-operate with the Issuer, the Guarantor, and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer, the Guarantor, or the relevant Dealer as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer, the Guarantor, or the relevant Dealer:
  - (i) in connection with any request or investigation by any regulator of competent jurisdiction in relation to the Non-Exempt PD Notes, the Issuer, the Guarantor, or the relevant Dealer; and/or
  - (ii) in connection with any complaints received by the Issuer, the Guarantor, and/or the relevant Dealer relating to the Issuer, the Guarantor, and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in rules published by any regulator of competent jurisdiction from time to time; and/or
  - (iii) which the Issuer, the Guarantor, or the relevant Dealer may reasonably require from time to time in relation to the Non-Exempt PD Notes and/or as to allow the Issuer, the Guarantor, or the relevant Dealer fully to comply within its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

- (i) during the primary distribution period of the Non-Exempt PD Notes: (i) not sell the Non-Exempt PD Notes at any price other than the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) not sell the Non-Exempt PD Notes otherwise than for settlement on the Issue Date specified in the relevant Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Non-Exempt PD Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;
  - (j) either (i) obtain from each potential Investor an executed application for the Non-Exempt PD Notes, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Non-Exempt PD Notes on their behalf, and, in each case, maintain the same on its files for so long as is required by any applicable Rules;
  - (k) ensure that it does not, directly or indirectly, cause the Issuer, the Guarantor, or the relevant Dealer to breach any Rule or subject the Issuer, the Guarantor, or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
  - (l) comply with the conditions to the consent referred to under “*Common conditions to consent*” below and any further requirements relevant to the Public Offer as specified in the applicable Final Terms;
  - (m) make available to each potential Investor in the Non-Exempt PD Notes the Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with the Base Prospectus; and
  - (n) if it conveys or publishes any communication (other than the Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Guarantor, or the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Guarantor, or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer, the Guarantor or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Non-Exempt PD Notes and KBC Bank NV as the guarantor of the relevant Non-Exempt PD Notes on the basis set out in the Base Prospectus;
- (II) agrees and undertakes to indemnify each of the Issuer, the Guarantor, and the relevant Dealer (in each case on behalf of such entity and its respective directors, officers, employees, agents, Affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands

(including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor, or the relevant Dealer; and

(III) agrees and accepts that:

- (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "Authorised Offeror Contract"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law,
- (b) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) ("Disputes") and accordingly submits to the exclusive jurisdiction of the English courts,
- (c) for the purposes of paragraph (III)(b) and (d), the Issuer and the financial intermediary waive any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute,
- (d) this paragraph (III) is for the benefit of the Issuer, the Guarantor and each relevant Dealer. To the extent allowed by law, the Issuer, the Guarantor and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions;
- (e) the Guarantor and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

**Any financial intermediary falling within sub-paragraph (B) above who wishes to use this Base Prospectus in connection with an Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) set out in paragraph (B)(ii) above.**

***Common conditions to consent***

The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (B) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

- (a) is only valid in respect of the relevant Tranche of Non-Exempt PD Notes;
- (b) is only valid during the Offer Period specified in the applicable Final Terms;



- (c) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Non-Exempt PD Notes in the Public Offer Jurisdictions as specified in the applicable Final Terms; and
- (d) is subject to any other conditions set out in Part B of the applicable Final Terms.

***ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS***

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NON-EXEMPT PD NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NON-EXEMPT PD NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND CONDITIONS OF THE OFFER INCLUDING THOSE IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT, ALL FIXED IN COMPLIANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS. NEITHER THE ISSUER NOR THE GUARANTOR WILL BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NON-EXEMPT PD NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE ANY OF THOSE IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

**Public Offers: Issue Price and Offer Price**

Non-Exempt PD Notes to be offered pursuant to a Public Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer at the time of the relevant Public Offer and will depend, amongst other things, on the interest rate applicable to the Non-Exempt PD Notes and prevailing market conditions at that time. The offer price of such Non-Exempt PD Notes will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Non-Exempt PD Notes to such Investor, but in compliance with the Authorised Offeror Terms regarding such price. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Non-Exempt PD Notes to such Investor.

## **DOCUMENTS INCORPORATED BY REFERENCE**

*This section incorporates selected publicly available information regarding the Issuer and the Guarantor that should be read in conjunction with this Base Prospectus.*

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 31 December 2012 and 31 December 2013, together, in each case, with the related auditors' report;
- (b) the audited consolidated annual financial statements of the Guarantor for the financial years ended 31 December 2012 and 31 December 2013, together, in each case, with the related auditors' report;
- (c) the press release dated 8 January 2014 "KBC repays second instalment of EUR 500 million in Flemish State aid and again ahead of schedule, fully respecting the capital requirements set by the regulator";
- (d) the press release dated 17 June 2014 "KBC Group strategy update: Becoming the reference in bank-insurance"; and
- (e) the base prospectus dated 26 June 2013 relating to the EUR 15,000,000,000 Retail Euro Medium Term Note Programme of KBC Internationale Financieringsmaatschappij N.V. and guaranteed by KBC Bank NV.

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, 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), the Issuer's website at [www.kbc.com](http://www.kbc.com) 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) and the Issuer's website at [www.kbc.com](http://www.kbc.com).

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, 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, the Issuer and the Guarantor will 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 official list of 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”**

<b>Documents</b>	<b>Page Number</b>
<i>Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2012</i>	
balance sheet	4
profit and loss account	5
cash flow statement	6
notes to the financial statements	7-25
auditors’ report	27-28
<i>Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013</i>	
balance sheet	4
profit and loss account	5
cash flow statement	6
notes to the financial statements	7-24
auditors’ report	26-27
<i>Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31 December 2012 *</i>	
report of the board of directors	6-63
balance sheet	69
income statement	67
cash flow statement	72-74
notes to the financial statements	75-146
auditors’ report	64-66
statement of changes in equity	70-71
<i>Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31 December 2013 *</i>	
report of the board of directors	4-65
balance sheet	71
income statement	69
cash flow statement	74

<b>Documents</b>	<b>Page Number</b>
notes to the financial statements	77-161
auditors' report	67-68
statement of changes in equity	72-73

*The base prospectus dated 26 June 2013 relating to the EUR 15,000,000,000 Retail Euro Medium Term Note Programme of KBC Internationale Financieringsmaatschappij N.V. and guaranteed by KBC Bank NV.*

Terms and Conditions of the Notes	128-201
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\* Page references are to the English language PDF version of the relevant incorporated documents.

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

## GENERAL DESCRIPTION OF THE PROGRAMME

*This section contains a general overview of the different types of Notes which can be issued under 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 year), 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, attached to, or incorporated by reference into, the Notes, as completed 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 issuing Notes 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 EUR 10,000,000,000 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 Index Linked Notes, Equity Linked Notes, Inflation Linked Notes and Currency Linked 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; 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.

## FORM OF THE NOTES

*This section provides a general overview of the form in which the Notes may be issued.*

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 specified in the applicable Final Terms to be issued in new global note (“NGN”) form, 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 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 Amounts (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 clearing 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 for interests in a Permanent Global Note of the same Series without interest coupons or talons 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 is improperly withheld or refused. Pursuant to the Agency Agreement 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 Amounts (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, interest coupons and talons attached 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, or (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. 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. 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 and on all interest coupons:

‘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 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 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 25 June 2014 as amended and/or supplemented and/or restated from time to time executed by the Issuer.

In Belgium, Notes shall not be physically delivered, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14th December, 2005.

## FORM OF FINAL TERMS

*This section sets out a template for the Final Terms to be used for each specific Notes issuance.*

*The following is the form of Final Terms which will be completed in relation to each Tranche of Notes (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]**

**[Public offer]**

**[Principal protected]/[Principal not protected]**

**Guaranteed by KBC Bank NV  
under the EUR10,000,000,000**

**Retail 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 25 June 2014,[ as supplemented by a supplement dated [●] ,] [together] the “Base Prospectus”, which constitutes a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of a combination of these Final Terms and the Base Prospectus [as so supplemented]. A summary of the issue of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provision of these Final Terms) is annexed to these Final Terms. The Base Prospectus [is] [and the supplements are] available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and the website of the Issuer at [www.kbc.com](http://www.kbc.com) and copies may be obtained during normal business hours at the registered office of the Issuer. [A copy of the Final Terms will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and on the website of the Issuer at [www.kbc.com](http://www.kbc.com).]

*[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 [26 June 2013] as supplemented from time to time, which are incorporated by reference in the base prospectus dated 25 June 2014 [as supplemented by a supplement dated [●],] ([together] the “Base Prospectus”). 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 dated 25 June 2014 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 [26 June 2013] and are incorporated by reference in the Base Prospectus dated 25 June 2014. Full information on the Issuer,



the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the base prospectus dated [26 June 2013] (with respect to conditions set forth herein) and the Base Prospectus dated 25 June 2014 (other than with respect to Conditions set forth herein [and the supplement dated [●]]. A summary of the issue of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus dated 25 June 2014 is available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and the website of the Issuer 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 base prospectus dated [26 June 2013] is available on the website of the Issuer at [www.kbc.com](http://www.kbc.com). [A copy of the Final Terms will be available on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) and on the website of the Issuer at [www.kbc.com](http://www.kbc.com).]

*[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 subparagraphs. Italics denote directions for completing the Final Terms.]*

## GENERAL DESCRIPTION OF THE NOTES

- |   |       |  |  |
|---|-------|--|--|
| 1 | (i)   | Series Number:   | [●]  |
|   | (ii)  | Tranche Number:  | [●]  |
|   | (iii) | Date on which the Notes will be consolidated and form a single Series: | [The notes will be consolidated, form a single Series and be interchangeable for trading purposes with [ <i>Tranche [●]</i> ] of [ <i>Aggregate Nominal Amount of Tranche</i> ][ <i>Title of Notes</i> ] on the [the Issue Date/exchange of the Temporary Global Note for interest in the Permanent Global Note, as referred to in paragraph [30] below, which is expected to occur on or about [●]][Not Applicable] |
| 2 |       | Specified Currency:  | [●]  |
| 3 |       | Aggregate Nominal Amount:  |  |
|   | (i)   | Series:  | [●]  |
|   | (ii)  | Tranche:   | [●]  |
| 4 |       | Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ <i>insert date</i> ]]  |
| 5 | (i)   | Specified Denominations:   | [●] ( <i>insert a denomination of less than EUR 100,000</i> )<br><i>(If only one Specified Denomination, insert the Specified Denomination.)</i>   |
|   | (ii)  | Calculation Amount:  | [●]<br><i>(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.)</i>   |
| 6 |       | Issue Date:  | [●]  |
| 7 | (i)   | Maturity Date:   | [●]/[Interest Payment Date falling in [or nearest to] [ <i>specify month and year</i> ]/[[●] Business Days after the [final] Valuation Date, expected to be [●]] (the “Scheduled Maturity Date”).  |
|   | (ii)  | Business Day Convention for  | [Following Business Day Convention/Modified Following  |

- Maturity Date: Business Day Convention/Preceding Business Day Convention/ Not Applicable]
- (iii) Additional Business Centre(s): [Not Applicable]/[specify other financial centres required for the Business Day definition]
- 8 Interest Basis: [Fixed Rate Notes]  
[Floating Rate Notes]  
[Range Accrual Notes]  
[Zero Coupon Notes]  
[Index Linked Interest Notes]  
[Equity Linked Interest Notes]  
[Inflation Linked Interest Notes]  
[Currency Linked Interest Notes]  
*(Specify one or more Interest Bas(is)(es) that appl(ies)(y) and specify further particulars in paragraphs 13 to 20 below as applicable)*
- 9 Redemption/Payment Basis: [Fixed Redemption Notes]  
[Autocall Notes]  
[Index Linked Redemption Notes]  
[Equity Linked Redemption Notes]  
[Currency Linked Redemption Notes]  
*(Specify one or more Redemption/Payment Basis that applies and specify further particulars in paragraphs 24 to 29 below, as applicable)*
- 10 Issuer Call: [Applicable][Not Applicable]  
*(further particulars specified in paragraph 23 below)*
- 11 Tax Gross-Up: [Condition 11(a) applicable]/[Condition 11(b) applicable]  
*(N.B. Only one of Conditions 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)*
- 12 Method of distribution: [Syndicated/Non-syndicated]

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

- 13 **Fixed Rate Notes** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[s] of Interest: [[●] per cent. per annum]

**[Rate of Interest****Interest Period****From (and including)****To (but excluding)**

- |  |                         |     |     |
|--|-------------------------|-----|-----|
|  | [●] per cent. per annum | [●] | [●] |
|  | [●] per cent. per annum | [●] | [●] |
|  | [●] per cent. per annum | [●] | [●] |
- (Use table format if there are different Rates of Interest for specific Interest Periods)*
- [Payable annually/semi-annually/quarterly/monthly in arrear]
- (ii) Interest Commencement Date: [●]/[Issue Date]
- (iii) 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)*
- (iv) Business Day Convention for Interest Period End Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (v) 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]
- (vi) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (vii) Additional Business Centre(s): [Not Applicable][*please specify other financial centres required for the Business Day definition*]
- (viii) Fixed 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]
- (ix) Determination Date(s): [[●] in each year][Not Applicable]
- (Insert regular Interest Period End Dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*
- This will need to be amended where Interest Periods are not of equal duration. NB: Only relevant where Fixed Day Count Fraction is Actual/Actual (ICMA))*
- 14 **Floating Rate Notes** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this*

- paragraph)*
- (i) Interest Commencement Date: [●]/[Issue Date]
- (ii) Interest Period End Dates: [●] 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: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (iv) 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]
- (v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (vi) Additional Business Centre(s): [Not Applicable][*please specify other financial centres required for the Business Day definition*]
- (vii) Interest Variable Option:  
 [Screen Rate Determination]  
 [Rates Variance]  
 [Asian Option – Interest Rates]  
 [Digital Option]  
*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)*
- (viii) Party responsible for calculating the Variable Rate(s) of Interest and Interest Amount(s): [Agent/Calculation Agent/[●]]
- (ix) Interest Multiplier: [[+/-][100]/[●] per cent.][As set out under Digital Option below]  
*(This may be a negative value.)*
- (x) Margin: [[+/-] [●] per cent. per annum][As set out under Digital Option below]
- (xi) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate: [LIBOR][EURIBOR][CMS]
  - Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
  - Relevant Screen Page: [●]  
 [Reuters Page <ISDAFIX2>, under the heading “EURIBOR

- Basis-EUR”] (*if CMS*)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*
- (xii) Rates Variance: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Rate<sub>1</sub>: [[●] per cent. per annum]  
 [As determined in accordance with the following elections:
    - Rate<sub>1</sub> Variable Option: Screen Rate Determination
    - Reference Rate: [LIBOR][EURIBOR][CMS rate]
    - Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
    - Relevant Screen Page: [●]  
 [Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (*if CMS*)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)]*
  - Rate<sub>2</sub>: [[●] per cent. per annum]  
 [As determined in accordance with the following elections:
    - Rate<sub>2</sub> Variable Option: Screen Rate Determination
    - Reference Rate: [LIBOR] [EURIBOR] [CMS rate]
    - Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
    - Relevant Screen Page: [●]  
 [Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (*if CMS*)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)]*
  - Scaling Factor: [[100]/[●] per cent.]
 

	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]
- (xiii) Asian Option – Interest Rates: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Rate<sub>t</sub>: As determined in accordance with the following elections:
    - Rate<sub>t</sub> Variable Option: Screen Rate Determination

- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Dates(s):

**[Interest  
Determination  
Dates**

**Interest Period**

**From (and  
including)**

**To (but excluding)**

[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]

*(Insert the different Interest Determination Date(s) for the purpose of determining each Rate.)*

- Relevant Screen Page: [•]

[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*

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

(xiv) Digital Option:

[Applicable/Not Applicable]

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

- Digital Option Type: Interest Rates
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [•][Standard IDD][Arrears IDD]

- Relevant Screen Page: [•]

[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*

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

- Digital Option Payment Condition: [Greater Than]  
[Less Than]  
[Greater Than Or Equal To]  
[Less Than Or Equal To]
- Digital Option Strike: [•] per cent.  
[Screen Rate Determination]
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [•][Standard IDD][Arrears IDD]

- Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (*if CMS*)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*
- Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
- Margin: [+/-] [●] per cent. per annum
- Scaling Factor: [[100]/[●] per cent.]  

<b>Scaling Factor</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]
- Digital Option Exercised Rate: [[●] per cent. per annum]  
[As determined in accordance with the Digital Option Payment Determination Method]
- Digital Option Payment Determination Method: [Not Applicable]  
[Screen Rate Determination]  
[Collar Rate]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
- Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (*if CMS*)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
- Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
- Margin: [+/-] [●] per cent. per annum
- Cap Rate: [●]/[Infinity]
- Floor Rate: [●]/[Zero]

- Collar Margin: [+/-] [●] per cent. per annum
- Digital Option Fallback Rate: [Zero]  
[[●] per cent. per annum]  
[Screen Rate Determination]  
[Collar Rate]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
- Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
- Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
- Margin: [+/-] [●] per cent. per annum
- Cap Rate: [●]/[Infinity]
- Floor Rate: [●]/[Zero]
- Collar Margin: [+/-] [●] per cent. per annum
- (xv) Minimum Rate of Interest: [●] per cent. per annum
- (xvi) Maximum Rate of Interest: [●] per cent. per annum  
*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*
- (xvii) 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]



- 15 **Range Accrual Notes** [Applicable/Not Applicable]
- (i) Interest Commencement Date: [●]/[Issue Date]
- (ii) Interest Period End Dates: [[●] in each year, starting on [●], up to and including [the Maturity Date][●]
- (iii) Business Day Convention for Interest Period End Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (iv) 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]
- (v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (vi) Additional Business Centre(s): [●] (*please specify other financial centres required for the Business Day definition*)
- (vii) Minimum Range Accrual Rate of Interest: [●] per cent. per annum
- (viii) Maximum Range Accrual Rate of Interest: [●] per cent. per annum
- (ix) 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]
- (x) RA Base Rate: [●] per cent. per annum
- (xi) Variable 1: Applicable
- Reference Rate: [LIBOR] [EURIBOR] [CMS]
- Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
- Relevant Screen Page: [●]  
 [Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (*if CMS*)  
 (*in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate*)
- (xii) Variable 2: [Applicable] [Not Applicable]  
 (*There need not be a Variable 2 - If not applicable, delete the*

- remaining sub-paragraphs of this paragraph)*
- Reference Rate: [LIBOR] [EURIBOR] [CMS]
  - Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
  - Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (if CMS)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*
- (xiii) Upper Threshold: [●] per cent.
- (xiv) Lower Threshold: [●] per cent.
- (xv) Range Accrual Condition: [Between (Inclusive)]  
[Between (Exclusive)]  
[Greater Than Lower Threshold]  
[Greater Than Or Equal To Lower Threshold]  
[Less Than Lower Threshold]  
[Less Than Or Equal To Lower Threshold]]
- 16 Zero Coupon Notes** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [●] per cent. per annum
  - (ii) Amortisation Yield Compounding Basis: [Annually/Semi-annually]
- 17 Index Linked Interest Notes** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Commencement Date: [●]/[Issue Date]
  - (ii) Interest Period End Dates: [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]
  - (iii) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
  - (iv) 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]
  - (v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
  - (vi) Additional Business Centre(s): [●] *(please specify other financial centres required for the Business Day definition)*
  - (vii) Interest Variable Option: [Evolution of Index]

- [Asian Option – Index]  
 [Digital Option]  
 [Single Fixing - Index]  
 [Asian Fixing – Index]  
*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)*
- (viii) 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]
- (ix) Index and details of the relevant Index Sponsor: Index: *[name and short description of type of index]*  
 Index Sponsor: *[specify]*  
 Exchange: *[specify]*  
 Related Exchange: [All Exchanges]*[specify]*  
 Designated Multi-Exchange Index: [Applicable][Not Applicable]  
 Valuation Time: *[specify]*  
 [The Index is a Designated Multi-Exchange Index.]
- (x) Interest Multiplier: [[+/-][100]/[●] per cent.][As set out under Digital Option below]  
*(This may be a negative value.)*
- (xi) Margin: [[+/-] [●] per cent. per annum][As set out under Digital Option below]
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum  
*(With respect to any Interest Period, insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*
- (xiv) Index Linked Interest Payment Extension Number: [●]
- (xv) Valuation Time: [Condition 6(d) applies]/[●]

(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].

(xviii) Correction Cut-Off Date: [[●] Business Days prior to each Interest Payment Date/Not Applicable.]

(xix) Evolution of Index: [Applicable/Not Applicable]

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

– Valuation Dates:

[Valuation Dates <sub>t</sub>	Interest Period	
	From (and including)	To (but excluding)
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

– Index<sub>initial</sub> Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

[Scaling Factor	Interest Period	
	From (and including)	To (but excluding)
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]

(xx) Asian Option – Index: [Applicable/Not Applicable]

– Index<sub>initial</sub> Valuation Date(s): [●],[●],[●]

– Valuation Dates:

[Valuation Dates <sub>t</sub>	Interest Period	
	From (and including)	To (but excluding)
[●]. [●], [●]	[●]	[●]
[●], [●], [●]	[●]	[●]
[●], [●], [●]	[●]	[●]

*(Insert the different Valuation Dates for the purpose of determining each Index<sub>t</sub>)*

– Scaling Factor: [[100]/[●] per cent.]

		<b>[Scaling Factor</b>	<b>Interest Period</b>	
			<b>From (and including)</b>	<b>To (but excluding)</b>
		[•] per cent.	[•]	[•]
		[•] per cent.	[•]	[•]
		[•] per cent.	[•]	[•]]
–	Averaging Disruption Provisions:	[Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]		
(xxii)	Digital Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert the relevant variables within the corresponding paragraph below)</i>		
–	Digital Option Type:	Index		
–	Digital Option Payment Condition:	[Greater Than] [Less Than] [Greater Than Or Equal To] [Less Than Or Equal To]		
–	Valuation Dates:	<b>[Valuation Dates</b>	<b>Interest Period</b>	
			<b>From (and including)</b>	<b>To (but excluding)</b>
		[•]	[•]	[•]
		[•]	[•]	[•]
		[•]	[•]	[•]]
–	Digital Option Strike:	[[•] <i>(Insert relevant level or specify Index Determination and insert the relevant Variables within the corresponding paragraph below)</i> [Index Determination]		
–	Valuation Dates:	<b>Valuation Date</b>	<b>Interest Period</b>	
			<b>From (and including)</b>	<b>To (but excluding)</b>
		[•]	[•]	[•]
		[•]	[•]	[•]
		[•]	[•]	[•]
–	Scaling Factor:	[[100]/[•] per cent.]		
		<b>[Scaling Factor</b>	<b>Interest Period</b>	
			<b>From (and including)</b>	<b>To (but excluding)</b>
		[•] per cent.	[•]	[•]

- [●] per cent. [●] [●]
- [●] per cent. [●] [●]
- Digital Option Exercised Rate: [[●] per cent. per annum]  
[As determined in accordance with the Digital Option Payment Determination Method]
- Digital Option Payment Determination Method: [Not applicable]  
[Screen Rate Determination]  
[Collar Rate]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
- Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
- Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
- Margin: [+/-] [●] per cent. per annum
- Cap Rate: [●]/[Infinity]
- Floor Rate: [●]/[Zero]
- Collar Margin: [+/-] [●] per cent. per annum
- Digital Option Fallback Rate: [Zero]  
[[●] per cent. per annum]  
[Screen Rate Determination]  
[Collar Rate]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
- Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*

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

*(If Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*

- Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
- Margin: [+/-] [●] per cent. per annum
- Cap Rate: [●]/[Infinity]
- Floor Rate: [●]/[Zero]
- Collar Margin: [+/-] [●] per cent. per annum]
- (xxiii) Single Fixing - Index: [Applicable]/[Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Denominator: [●]
- Valuation Dates: 

<b>Valuation Date<sub>t</sub></b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

- (xxiv) Asian Fixing - Index: [Applicable]/[Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Denominator: [●]
- Valuation Dates: 

<b>[Valuation Dates<sub>t</sub></b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●], [●], [●]	[●]	[●]
[●], [●], [●]	[●]	[●]
[●], [●], [●]	[●]	[●]

*(Insert the different Valuation Dates for the purpose of determining each Index<sub>t</sub>)*

- Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

## 18 Equity Linked Interest Notes

[Applicable/Not Applicable]  
*(If not applicable, delete remaining sub-paragraphs of this paragraph)*

- (i) Interest Commencement Date: [●]/[Issue Date]

- (ii) Interest Period End Dates: [[●] in each year, starting on [●], up to and including [the Maturity Date][●]]
- (iii) Business Day Convention for Interest Period End Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (iv) 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]
- (v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (vi) Additional Business Centre(s): [*specify other financial centres required for the Business Day definition*][Not Applicable]
- (vii) Interest Variable Option:  
 [Evolution of Underlying Equity]  
 [Evolution of Basket of Underlying Equities]  
 [Asian Option – Underlying Equity]  
 [Asian Option - Basket of Underlying Equities]  
 [Digital Option]  
*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)*
- (viii) 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]
- (ix) The identity of the relevant Equity Issuer(s) of the equity security/equity securities in the basket: [*Give or annex details of the relevant Underlying Equities/Underlying Equity, as applicable*]:  
***[The following apply only to Notes which have a single equity component]:***  
 Underlying Equity: [*name and short description of type of shares (which, if “ETF Share” is specified below as applicable, will be ETF Shares)*] issued by the Equity Issuer (ISIN:[●])  
 ETF Share: [Applicable/Not Applicable]  
 Underlying Equity [*specify*]



Currency:

Equity Issuer: *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)*

Exchange: *[specify]*

Related Exchange: *[All Exchanges]/[specify]*

*[(The following additional provisions apply only where the relevant equity component is an ETF Share):*

ETF Adviser: *[specify]*

ETF Administrator: *[specify]*

Reference Index: *[specify]*

***[The following apply only to Notes with an equity basket component]:***

A basket composed of Underlying Equities in the relative proportions of Underlying Equities of each Equity Issuer specified below:

Underlying Equity: *[name and short description of type of shares] (which, if “ETF Share” is specified below as applicable, will be ETF Shares)] issued by the Equity Issuer (ISIN: [●])*

ETF Share: *[Applicable/Not Applicable]*

Underlying Equity *[specify]*

Currency:

Equity Issuer: *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)*

Multiplier (per cent.): *[specify]*

Exchange: *[specify]*

*[(The following additional provisions apply only where the relevant equity component is an ETF Share):*

ETF Adviser: *[specify]*

ETF Administrator: *[specify]*

Reference Index: *[specify]*

Related Exchange: *[All Exchanges]/[specify]*

*[Replicate the details in respect of each Equity in the Basket]*

(x) Interest Multiplier: *[+/-][100]/[●] per cent.][As set out under Digital Option below] (This may be a negative value.)*

(xi) Margin: *[[+/-] [●] per cent. per annum][As set out under Digital Option below]*

(xii) Minimum Rate of Interest: *[●]*

- (xiii) Maximum Rate of Interest: [●]  
*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*
- (xiv) Equity Linked Interest Payment Extension Number: [●]
- (xv) Potential Adjustment Events: [Applicable/Not Applicable]
- (xvi) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]
- (xvii) Tender Offer: [Applicable/Not Applicable]
- (xviii) Valuation Time: [Condition 7(d) applies]/[●]
- (xix) Exchange Rate: [Applicable/Not Applicable]  
*[Insert details]*
- (xx) 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].
- (xxi) Correction Cut-Off Date: [[●] Business Days prior to each Interest Payment Date/Not Applicable.]
- (xxii) Trade Date: [●]
- (xxiii) Evolution of Underlying Equity: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– Valuation Dates:

**Valuation Dates**

**Interest Period**

**From (and including)**      **From (and including)**

[●]

[●]

[●]

[●]

[●]

[●]

[●]

[●]

[●]

– Equity<sub>initial</sub> Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

**Scaling Factor**

**Interest Period**

**From (and including)**      **To (but excluding)**

[●] per cent.

[●]

[●]

[●] per cent.

[●]

[●]

[●] per cent.

[●]

[●]

(xxiv) Evolution of Basket of [Applicable/Not Applicable]  
 Underlying Equities: *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– Valuation Dates:

<b>Valuation Dates</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●]	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]

– Equity Basket<sub>initial</sub> Valuation Date: [●]

– Scaling Factor: [[100]/[●] per cent.]

<b>[Scaling Factor]</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]

(xxv) Asian Option – Underlying Equity [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

– Equity<sub>initial</sub> Valuation Date(s): [●],[●],[●]

– Valuation Dates:

<b>Valuation Dates:</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●], [●], [●]	[●]	[●]
[●], [●], [●]	[●]	[●]
[●], [●], [●]	[●]	[●]

*(Insert the different Valuation Dates for the purpose of determining each Equity<sub>i</sub>)*

– Scaling Factor: [[100]/[●] per cent.]

<b>[Scaling Factor]</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[●] per cent.	[●]	[●]
[●] per cent.	[●]	[●]

- [•] per cent. [•] [•]
- Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]
- (xxvi) Asian Option – Basket of Underlying Equities: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Equity Basket<sub>initial</sub> Valuation Date(s): [•],[•],[•]
- Valuation Dates:

**Valuation Dates:****Interest Period****From (and including)****To (but excluding)**

[•], [•], [•]

[•]

[•]

[•], [•], [•]

[•]

[•]

[•], [•], [•]

[•]

[•]

*(Insert the different Valuation Dates for the purpose of determining each Equity Basket.)*

- Scaling Factor: [[100]/[•] per cent.]

**[Scaling Factor****Interest Period****From (and including)****To (but excluding)**

[•] per cent.

[•]

[•]

[•] per cent.

[•]

[•]

[•] per cent.

[•]

[•]

- Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]
- (xxvii) Digital Option: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert the relevant variables within the corresponding paragraph below)*

- Digital Option Type: [Basket of Underlying Equities][Underlying Equity]
- Digital Option Payment Condition: [Greater Than]  
[Less Than]  
[Greater Than Or Equal To]  
[Less Than Or Equal To]

- Valuation Dates:

**[Valuation Dates****Interest Period****From (and including)****To (but excluding)**

[•]

[•]

[•]

- |  |  |     |     |     |
|--|--|-----|-----|-----|
|  |  | [●] | [●] | [●] |
|  |  | [●] | [●] | [●] |
- Digital Option Strike: [[●]  
*(Insert relevant level or specify Equity Determination and insert the relevant Variables within the corresponding paragraph below)*  
 [Equity Determination]
- Valuation Dates:
- |  | <b>Valuation Date</b> | <b>Interest Period</b>      |                           |
|--|-----------------------|-----------------------------|---------------------------|
|  |                       | <b>From (and including)</b> | <b>To (but excluding)</b> |
|  | [●]                   | [●]                         | [●]                       |
|  | [●]                   | [●]                         | [●]                       |
|  | [●]                   | [●]                         | [●]                       |
- Scaling Factor: [[100]/[●] per cent.]
- |  | <b>Scaling Factor</b> | <b>Interest Period</b>      |                           |
|--|-----------------------|-----------------------------|---------------------------|
|  |                       | <b>From (and including)</b> | <b>To (but excluding)</b> |
|  | [●] per cent.         | [●]                         | [●]                       |
|  | [●] per cent.         | [●]                         | [●]                       |
|  | [●] per cent.         | [●]                         | [●]                       |
- Digital Option Exercised Rate: [[●] per cent. per annum]  
 [As determined in accordance with the Digital Option Payment Determination Method]
- Digital Option Payment Determination Method: [Not applicable]  
 [Screen Rate Determination]  
 [Collar Rate]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
- Reference Rate: [LIBOR][EURIBOR][CMS]
- Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
- Relevant Screen Page: [●]  
 [Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] *(if CMS)*  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*

- Interest Multiplier: [ +/- ][ 100 ][ ● ] per cent.  
*(This may be a negative value.)*
  - Margin: [ +/- ] [ ● ] per cent. per annum
  - Cap Rate: [ ● ]/[ Infinity ]
  - Floor Rate: [ ● ]/[ Zero ]
  - Collar Margin: [ +/- ] [ ● ] per cent. per annum
  - Digital Option Fallback Rate: [ Zero ]  
[ [ ● ] per cent. per annum ]  
[ Screen Date Determination ]  
[ Collar Rate ]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
  - Reference Rate: [ LIBOR ][ EURIBOR ][ CMS ]
  - Interest Determination Date(s): [ ● ]/[ Standard IDD ][ Arrears IDD ]
  - Relevant Screen Page: [ ● ]  
[ Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR” ] *(if CMS)*  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
  - Interest Multiplier: [ +/- ][ 100 ][ ● ] per cent.  
*(This may be a negative value.)*
  - Margin: [ +/- ] [ ● ] per cent. per annum
  - Cap Rate: [ ● ]/[ Infinity ]
  - Floor Rate: [ ● ]/[ Zero ]
  - Collar Margin: [ +/- ] [ ● ] per cent. per annum]
- 19 Inflation Linked Interest Notes** [ Applicable/Not Applicable ]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Commencement Date: [ ● ]/[ Issue Date ]
  - (ii) Interest Period End Dates: [ [ ● ] in each year, starting on [ ● ], up to and including [ the Maturity Date ][ ● ]/[ Interest Payment Dates will correspond to Interest Period End Dates ]
  - (iii) Business Day Convention for Interest Period End Dates: [ Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable ]
  - (iv) Interest Payment Dates: [ [ ● ] in each year, starting on [ ● ], up to and including [ the

- Maturity Date][●]]
- (v) Business Day Convention for Interest Payment Dates: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (vi) Additional Business Centre(s): [Not Applicable][*specify other financial centres required for the Business Day definition*]
- (vii) Interest Variable Option: [Evolution of Inflation]  
[Asian Option – Inflation]  
[Digital Option]  
*(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)*
- (viii) 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]
- (ix) Inflation Index: [●]Sponsor: [●]  
*[Give or annex details]*
- (x) Interest Multiplier: [+/-][100]/[●] per cent.][As set out under Digital Option below]  
*(This may be a negative value.)*
- (xi) Margin: [[+/-] [●] per cent. per annum][As set out under Digital Option below]
- (xii) Minimum Rate of Interest: [●]
- (xiii) Maximum Rate of Interest: [●]  
*(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)*
- (xiv) Relevant Payment Date: [[●] in each year starting on [●], up to and including [the Maturity Date][●]]/[Each Interest Payment Date [and][The][ Maturity Date]
- (xv) Relevant Determination Date(s): [*Specify*][Five] Business Days prior to [each/the] Relevant Payment Date]
- (xvi) Related Bond(s): [Applicable/Not Applicable]  
*[Specify for an Index/Fallback Bond]*
- (xvii) Issuer(s) of Related Bond(s): [●]/[Not Applicable]

- (xviii) Fallback Bond(s): [Applicable/Not Applicable]  
 [Specify for an Index/The bond determined as provided in Condition 8]
- (xix) Period of Cessation of Publication: [2 consecutive months]/[•]
- (xx) Evolution of Inflation: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Inflation<sub>initial</sub> Reference Month: [•]
  - Reference Month(s):

Reference Months	Relevant Payment Dates	Interest Periods	
		From (and including)	To (but excluding)
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]
[•]	[•]	[•]	[•]

- Scaling Factor:

Scaling Factor	Interest Period	
	From (and including)	To (but excluding)
[[100]/[•] per cent.]		
[•] per cent.	[•]	[•]
[•] per cent.	[•]	[•]
[•] per cent.	[•]	[•]

- (xxi) Asian Option – Inflation: [Applicable/Not Applicable]

- Inflation<sub>initial</sub> Reference Month(s): [•],[•],[•]
- Inflation<sub>t</sub>:
- Reference Month(s):

As determined in accordance with the following elections:

Reference Months <sub>t</sub>	Relevant Payment Dates	Interest Periods	
		From (and including)	To (but excluding)
[•], [•],[•]	[•]	[•]	[•]
[•], [•],[•]	[•]	[•]	[•]
[•], [•],[•]	[•]	[•]	[•]

*(Insert the different Reference Months for the purpose of*



determining each Inflation<sub>t</sub>)

– Scaling Factor:

[[100]/[•] per cent.]

**[Scaling Factor**

**Interest Period**

**From (and  
including)**

**To (but  
excluding)**

[•] per cent.

[•]

[•]

[•] per cent.

[•]

[•]

[•] per cent.

[•]

[•]

(xxii) Digital Option:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert the relevant variables within the corresponding paragraph below)*

– Digital Option Type:

Inflation

– Digital Option Payment Condition:

[Greater Than]

[Less Than]

[Greater Than Or Equal To]

[Less Than Or Equal To]

– Reference Months:

**Reference  
Months**

**Relevant  
Payment  
Dates**

**Interest Periods**

**From (and  
including)**

**To (but  
excluding)**

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

– Digital Option Strike:

[[•]

*(Insert relevant level)*

[Inflation Determination]

– Reference Months:

**Reference  
Months**

**Relevant  
Payment  
Dates**

**Interest Periods**

**From (and  
including)**

**To (but  
excluding)**

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

[•]

– Scaling Factor:

[[100]/[•] per cent.]

**[Scaling Factor**

**Interest Period**

		<b>From (and including)</b>	<b>To (but excluding)</b>
	[●] per cent.	[●]	[●]
	[●] per cent.	[●]	[●]
	[●] per cent.	[●]	[●]
– Digital Option Exercised Rate:	[[●] per cent. per annum] [As determined in accordance with the Digital Option Payment Determination Method]		
– Digital Option Payment Determination Method:	[Not Applicable] [Screen Rate Determination] [Collar Rate]		
– Reference Rate:	[EURIBOR][LIBOR][CMS]		
– Interest Determination Date(s):	[●][Standard IDD][Arrears IDD]		
– Relevant Screen Page:	[●] [Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”](if CMS) <i>(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)</i> <i>(If Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)</i>		
– Interest Multiplier:	[+/-][100]/[●] per cent. <i>(This may be a negative value.)</i>		
– Margin:	[+/-] [●] per cent. per annum		
– Cap Rate:	[●]/[Infinity]		
– Floor Rate:	[●]/[Zero]		
– Collar Margin:	[+/-] [●] per cent. per annum]		
– Digital Option Fallback Rate:	[Zero] [[●] per cent. per annum] [Screen Rate Determination] [Collar Rate] <i>(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)</i>		
– Reference Rate:	[EURIBOR][LIBOR][CMS]		
– Interest Determination Date(s):	[●][Standard IDD][Arrears IDD]		
– Relevant Screen Page:	[●]		

	[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”](if CMS)
	<i>(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)</i>
	<i>(If Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)</i>
– Interest Multiplier:	[+/-][100]/[●] per cent. <i>(This may be a negative value.)</i>
– Margin:	[+/-] [●] per cent. per annum
– Cap Rate:	[●]/[Infinity]
– Floor Rate:	[●]/[Zero]
– Collar Margin:	[+/-] [●] per cent. per annum]
<b>20 Currency Linked Interest Notes</b>	[Applicable/Not Applicable]
	<i>(If not applicable, delete remaining sub-paragraphs of this paragraph)</i>
(i) Interest Commencement Date:	[●]/[Issue Date]
(ii) Interest Period End Dates:	[[●] in each year, starting on [●], up to and including [the Maturity Date][●]]
(iii) Business Day Convention for Interest Period End Dates:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
(iv) 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]
(v) Business Day Convention for Interest Payment Dates:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
(vi) Additional Business Centre(s):	[Not Applicable][specify other financial centres required for the Business Day definition]
(vii) Interest Variable Option:	[Evolution of Currency] [Asian Option – Currency] [Digital Option] <i>(Depending on the applicable Interest Variable Option selected, insert the relevant variables within the corresponding paragraph below)</i>
(viii) Day Count Fraction:	<i>(Specify one of the options listed below)</i> [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]
(ix) Interest Multiplier:	[+/-][100]/[●] per cent.][As set out under Digital Option below] <i>(This may be a negative value.)</i>
(x) Margin:	[[+/-] [●] per cent. per annum][As set out under Digital Option below]
(xi) Minimum Rate of Interest:	[●]
(xii) Maximum Rate of Interest:	[●] <i>(Insert (i) Minimum Rate of Interest to floor the Rate of Interest; (ii) Maximum Rate of Interest to cap the Rate of Interest and (iii) Minimum Rate of Interest and Maximum Rate of Interest to collar the Rate of Interest)</i>
(xiii) Currency Rate:	[●]
(xiv) Currency Page:	[●]
(xv) Event Currency:	[●]/[Reference Currency]
(xvi) Base Currency:	[●]/[Specified Currency]
(xvii) Reference Currency:	[●]
(xviii) Valuation Time:	[●]
(xix) Currency Disruption Events:	[Not applicable]
	[Benchmark Obligation Default]
	[Benchmark Obligation description: [●]] <i>(if Benchmark obligation default applicable)</i>
	[Dual Exchange Rate]
	[General Inconvertibility]
	[General Non-Transferability]
	[Governmental Authority Default]
	[Illiquidity]
	[Minimum Amount: [●]]; [Illiquidity Valuation Date: [●]] <i>(if Illiquidity applicable)</i>
	[Material Change in Circumstances]
	[Nationalisation]
	[Price Materiality]
	[Secondary Rate: [●]] [Price Materiality Percentage [●]] <i>(if Price Materiality applicable)</i>
	[Price Source Disruption]
	[Specific Inconvertibility]
	[Minimum Amount:[●]] <i>(if Specific Inconvertibility)</i>

*applicable)*

(xx) Evolution of Currency: [Specific Non-Transferability]  
 [Applicable]/[Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Currency<sub>initial</sub> Valuation Date: [•]
- Valuation Dates:

<b>[Valuation Dates</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]]

- Scaling Factor: [[100]/[•] per cent.]

<b>[Scaling Factor</b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[•] per cent.	[•]	[•]
[•] per cent.	[•]	[•]
[•] per cent.	[•]	[•]]

(xxi) Asian Option – Currency: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Currency<sub>initial</sub> Valuation Date(s): [•],[•],[•]
- Currency<sub>t</sub>:
- Valuation Dates:

<b>[Valuation Dates<sub>t</sub></b>	<b>Interest Period</b>	
	<b>From (and including)</b>	<b>To (but excluding)</b>
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[•]	[•]]

*(Insert the different Valuation Dates for the purpose of determining each Currency<sub>t</sub>)*

- Scaling Factor: [[100]/[•] per cent.]

<b>[Scaling Factor</b>	<b>Interest Period</b>	
	<b>From (and</b>	<b>To (but</b>

		<b>including)</b>	<b>excluding)</b>
	[•] per cent.	[•]	[•]
	[•] per cent.	[•]	[•]
	[•] per cent.	[•]	[•]
(xxii) Digital Option:	[Applicable/Not Applicable]		
	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>		
– Digital Option Type:	Currency		
– Digital Option Payment Condition:	[Greater Than] [Less Than] [Greater Than Or Equal To] [Less Than Or Equal To]		
– Valuation Dates:			
	<b>[Valuation Dates</b>	<b>Interest Period</b>	
		<b>From (and including)</b>	<b>To (but excluding)</b>
	[•]	[•]	[•]
	[•]	[•]	[•]
	[•]	[•]	[•]
– Digital Option Strike:	[•]		
	<i>(Insert relevant exchange rate)</i>		
	[Currency Determination]		
– Valuation Dates:			
	<b>Valuation Date</b>	<b>Interest Period</b>	
		<b>From (and including)</b>	<b>To (but excluding)</b>
	[•]	[•]	[•]
	[•]	[•]	[•]
	[•]	[•]	[•]
– Scaling Factor:	[[100]/[•] per cent.]		
	<b>[Scaling Factor</b>	<b>Interest Period</b>	
		<b>From (and including)</b>	<b>To (but excluding)</b>
	[•] per cent.	[•]	[•]
	[•] per cent.	[•]	[•]
	[•] per cent.	[•]	[•]
– Digital Option Exercised Rate:	[[•] per cent. per annum] [As determined in accordance with the Digital Option Determination Method]		
– Digital Option Payment	[Not Applicable]		

- Determination Method: [Screen Rate Determination]  
[Collar Rate]
- Reference Rate: [LIBOR][EURIBOR][CMS]
  - Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
  - Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (if CMS)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Exercised Rate)*
  - Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
  - Margin: [+/-] [●] per cent. per annum
  - Cap Rate: [●]/[Infinity]
  - Floor Rate: [●]/[Zero]
  - Collar Margin: [+/-] [●] per cent. per annum
  - Digital Option Fallback Rate: [Zero]  
[[Screen Rate Determination][●] per cent. per annum]  
[Collar Rate]  
*(If Screen Rate Determination and/or Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
  - Reference Rate: [LIBOR][EURIBOR][CMS]
  - Interest Determination Date(s): [●][Standard IDD][Arrears IDD]
  - Relevant Screen Page: [●]  
[Reuters Page <ISDAFIX2>, under the heading “EURIBOR Basis-EUR”] (if CMS)  
*(in the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate)*  
*(If Collar Rate applies, insert relevant information for determining Digital Option Fallback Rate)*
  - Interest Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
  - Margin: [+/-] [●] per cent. per annum
  - Cap Rate: [●]/[Infinity]
  - Floor Rate: [●]/[Zero]
  - Collar Margin: [+/-] [●] per cent. per annum]

- 21 **Additional Disruption Events** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- [[Change in Law]
- [Hedging Disruption]
- [Increased Cost of Hedging]
- [Insolvency Filing]  
*(NB: applicable in the case of Equity Linked Notes)*
- [Loss of Stock Borrow] *(NB: applicable only for Equity Linked Notes and Index Linked Notes)*
- [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)*
- [Increased Cost of Stock Borrow] *(NB: applicable only for Equity Linked Notes and Index Linked Notes)*  
 [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)]*
- [Cross-contamination]  
*(NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity)*
- [ETF Insolvency Event]  
*(NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity)*  
 [ETF Insolvency Entity: [specify]][Not Applicable]  
*(NB: Only applicable if ETF Insolvency Event is applicable)]*
- [ETF Modification]  
*(NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity)*
- [ETF Regulatory Action]  
*(NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity)*
- [ETF Strategy Breach]  
*(NB: applicable only for Equity Linked Notes with ETF Shares specified as an Underlying Equity)*
- (i) Trade Date: [●]
- 22 **Alternative Currency Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Alternative Currency: [USD][●]



- (ii) Maximum Alternative Currency Number: [•]
- (iii) AC Rate Calculation Date: [•] AC Rate Calculation Business Days before the due date for payment of the relevant amount under the Notes
- (iv) AC Rate Calculation Jurisdiction(s): [•]
- (v) AC USD Rate Calculation Date: [•] AC USD Rate Calculation Business Days before the due date for payment of the relevant amount under the Securities
- (vi) AC USD Rate Calculation Jurisdiction(s): [•]
- (vii) Trade Date: [•]

### PROVISIONS RELATING TO REDEMPTION

- 23 **Issuer Call** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs 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/Not Applicable]  
*(NB: This should be not applicable unless the Optional Redemption Date is not expected to fall on an Interest Payment Date)*
- (iii) Additional Business Centre(s): [Not Applicable][specify other financial centres required for the Business Day definition]  
*(NB: This should be not applicable unless the Optional Redemption Date is not expected to fall on an Interest Payment Date)*
- (iv) Optional Redemption Amount: [•] per Calculation Amount
- (v) Issuer Call Period (if other than as set out in Condition 5(c)): [•]  
 [not] [less than [•]] [nor more than [•]]  
*(N.B. If setting issuer call 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)*
- 24 **Autocall Early Redemption** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Autocall Type: [Index]  
 [Underlying Equity]  
 [Basket of Underlying Equities]

	[Currency]	
[– Index and details of the relevant Index Sponsor:	Index:	<i>[name and short description of type of index]</i>
	Index Sponsor:	<i>[specify]</i>
	Multiplier (per cent.):	<i>[specify]</i>
	Exchange:	<i>[specify]</i>
	Related Exchange:	[All Exchanges] <i>[specify]</i>
	Designated Multi-Exchange Index:	[Applicable][Not Applicable]
	Valuation Time:	<i>[specify]</i>
[– Index Linked Interest Payment Extension Number:	[•]	
[– Valuation Time:	[Condition 6(d) applies][•]	
[– 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].]	
[– Correction Cut-Off Date:	[[•] Business Days prior to each Interest Payment Date/Not Applicable.]]	
[– The identity of the relevant Equity Issuer(s) of the equity security/equity securities in the basket:	<i>[Give or annex details of the relevant Underlying Equities/Underlying Equity, as applicable]:</i>	

***[The following apply only to Notes which have a single equity component]:***

Underlying Equity:	<i>[name and short description of type of shares (which, if “ETF Share” is specified below as applicable, will be ETF Shares)] issued by the Equity Issuer (ISIN: [•])</i>
ETF Share	[Applicable/Not Applicable]
Underlying Equity Currency:	<i>[specify]</i>
Equity Issuer:	<i>[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)</i>
Exchange:	<i>[specify]</i>
Related Exchange:	[All Exchanges] <i>[specify]</i>
<i>[(The following additional provisions apply only where the relevant equity component is an ETF Share):</i>	
ETF Adviser:	<i>[specify]</i>

ETF Administrator: *[specify]*Reference Index: *[specify]****[The following apply only to Notes with an equity basket component]:***

A basket composed of Underlying Equities in the relative proportions of Underlying Equities of each Equity Issuer specified below:

Underlying Equity: *[name and short description of type of shares (which, if “ETF Share” is specified below as applicable, will be ETF Shares)] issued by the Equity Issuer (ISIN: [●])*

ETF Share [Applicable/Not Applicable]

Underlying Equity Currency: *[specify]*Equity Issuer: *[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)*Multiplier (per cent.): *[specify]*Exchange: *[specify]*Related Exchange: [All Exchanges]*[specify]**[(The following additional provisions apply only where the relevant equity component is an ETF Share):*ETF Adviser: *[specify]*ETF Administrator: *[specify]*Reference Index: *[specify]**[Replicate the details in respect of each Equity in the Basket]*

- [– Equity Linked Interest Payment Extension Number: [●]]
- [– Potential Adjustment Events: [Applicable/Not Applicable]]
- [– De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]]
- [– Tender Offer: [Applicable/Not Applicable]]
- [– Valuation Time: [Condition 7(d) applies]/[●]]
- [– Exchange Rate: [Applicable/Not Applicable]  
*[Insert details]*]
- [– 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].]
[– Correction Cut-Off Date:	[•] Business Days prior to each Interest Payment Date/Not Applicable.]]
[– Trade Date:	[•]]
[– Currency Rate:	[•]]
[– Currency Page:	[•]]
[– Event Currency:	[•]/[Reference Currency]]
[– Base Currency:	[•]/[Specified Currency]]
[– Reference Currency:	[•]]
[– Valuation Time:	[•]]
[– Currency Disruption Events:	[Not applicable]
	[Benchmark Obligation Default]
	[Benchmark Obligation description: [•]] ( <i>if Benchmark obligation default applicable</i> )
	[Dual Exchange Rate]
	[General Inconvertibility]
	[General Non-Transferability]
	[Governmental Authority Default]
	[Illiquidity]
	[Minimum Amount: [•]];
	[Illiquidity Valuation Date: [•]] ( <i>if Illiquidity applicable</i> )
	[Material Change in Circumstances]
	[Nationalisation]
	[Price Materiality]
	[Secondary Rate: [•]]
	[Price Materiality Percentage [•]]( <i>if Price Materiality applicable</i> )
	[Price Source Disruption]
	[Specific Inconvertibility]
	[Minimum Amount: [•]] ( <i>if Specific Inconvertibility applicable</i> )
	[Specific Non-Transferability]]
(ii) Autocall Condition:	[Greater Than]
	[Less Than]
	[Greater Than Or Equal To]
	[Less Than Or Equal To]
(iii) Autocall Observation Dates:	[•]

(iv) Business Day Convention for Autocall Observation Dates: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(v) Autocall Variable:

– Autocall Variable Averaging: [Applicable/Not Applicable]

– Valuation Date(s):

Autocall Observation Dates	Valuation Date (where Autocall Variable Averaging is Not Applicable)	Valuation Dates <sub>t</sub> (where Autocall Variable Averaging is Applicable)
[•]	[N/A] [•]	[N/A] [•],[•],[•]
[•]	[N/A] [•]	[N/A] [•],[•],[•]
[•]	[N/A] [•]	[N/A] [•],[•],[•]

*(Insert the different Valuation Dates for the purpose of determining each Autocall Variable)*

[– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]

(vi) Autocall Strike:

– Autocall Strike Amount: [Applicable/Not Applicable]  
*(If not applicable, delete table and populate Autocall Strike Determination or Autocall Strike Averaging)*

Autocall Observation Dates	Autocall Strike
[•]	[•]
[•]	[•]
[•]	[•]

– Autocall Strike Determination: [Applicable/Not Applicable]

– Autocall Strike Averaging: [Applicable/Not Applicable]

[– Valuation Date(s):

Autocall Observation Dates	Valuation Date (where Autocall Strike Determination is Applicable)	Valuation Dates <sub>t</sub> (where Autocall Strike Averaging is Applicable)
[•]	[N/A] [•]	[N/A] [•],[•],[•]
[•]	[N/A]	[N/A]

	[●]	[●],[●],[●]
[●]	[N/A]	[N/A]
	[●]	[●],[●],[●]

*(Insert the different Valuation Dates for the purpose of determining each Autocall Variable, unless Autocall Strike Amount applies in which case delete the above table)*

[- Averaging Disruption Provisions:	[Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]		
(vii) Average Autocall Reference Price:			
- Autocall Variable Averaging:	[Applicable][Not Applicable]		
- Autocall Strike Averaging:	[Applicable][Not Applicable]		
- Autocall Reference Item <sub>initial</sub> Averaging:	[Applicable][Not Applicable]		
- Autocall Reference Item <sub>final</sub> Averaging:	[Applicable][Not Applicable]		
(viii) Scaling Factor:	[[100]/[●] per cent.]		
	<b>Scaling Factor</b>	<b>Interest Period</b>	
		<b>From (and including)</b>	<b>To (but excluding)</b>
	[●] per cent.	[●]	[●]
	[●] per cent.	[●]	[●]
	[●] per cent.	[●]	[●]
(ix) Autocall Redemption Amount:	[[●]		
	<b>Autocall Redemption Amount</b>	<b>Autocall Notes redeeming</b>	
		<b>From (and including)</b>	<b>To (but excluding)</b>
	[●]	[●]	[●]
	[●]	[●]	[●]
	[●]	[●]	[●]
	<i>(If one or more specific amounts are specified, delete the remainder of this paragraph. If a specific amount is not specified, populate the provisions below)</i>		
- Reference Item <sub>initial</sub> :	[[●]		
	<i>(Insert relevant level or amount, depending on Autocall Type, unless Reference Item<sub>initial</sub> Determination or Autocall Reference Item<sub>final</sub> Averaging applies)</i>		
	[Reference Item <sub>initial</sub> Determination: [Applicable/Not Applicable]]		

[Autocall Reference Item<sub>initial</sub> Averaging: [Applicable/Not Applicable]]

– Valuation Date(s):	Autocall Observation Dates	Valuation Date (where Reference Item <sub>initial</sub> Determination is Applicable)	Valuation Dates <sub>t</sub> (where Autocall Reference Item <sub>initial</sub> Averaging is Applicable)
	[•]	[N/A] [•]	[N/A] [•],[•],[•]
	[•]	[N/A] [•]	[N/A] [•],[•],[•]
	[•]	[N/A] [•]	[N/A] [•],[•],[•]

- [– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]
- Reference Item<sub>final</sub>: [[•]  
*(Insert relevant level or amount, depending on Autocall Type, unless Reference Item<sub>final</sub> Determination or Autocall Reference Item<sub>final</sub> Averaging applies)*  
[Reference Item<sub>final</sub> Determination: [Applicable/Not Applicable]]  
[Autocall Reference Item<sub>final</sub> Averaging: [Applicable/Not Applicable]]

– Valuation Date(s):	Autocall Observation Dates	Valuation Date (where Reference Item <sub>final</sub> Determination is Applicable)	Valuation Dates <sub>t</sub> (where Autocall Reference Item <sub>final</sub> Averaging is Applicable)
	[•]	[N/A] [•]	[N/A] [•],[•],[•]
	[•]	[N/A] [•]	[N/A] [•],[•],[•]
	[•]	[N/A] [•]	[N/A] [•],[•],[•]

- [– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]
- Cap %: [•]/[Infinity]
- Floor %: [•]/[Zero]
- Scaling Factor: [[100]/[•] per cent.]

Autocall Observation Dates	Scaling Factor
[•]	[•] per cent.
[•]	[•] per cent.

[●]	[●] per cent.
[●]	[●] per cent.

- Autocall Multiplier: [●] [100] per cent.
- 25 **Final Redemption Amount:** [Redemption will be at par][●]  
 [In accordance with Conditions] (*applicable for Index Linked Redemption Notes, Equity Linked Redemption Notes and Currency Linked Redemption Notes only*)
- 26 **Early Redemption Amount:**  
 Early Redemption Amount payable on redemption for taxation reasons or on an illegality (or, in the case of Floating Rate Notes, following a cessation of the Reference Rate or, in the case of Index Linked Notes, following an Index Adjustment Event in accordance with Condition 6(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 7(b)(ii)(b) or, in the case of Inflation Linked Notes, following an Inflation Index Cancellation pursuant to a Cessation of Publication in accordance with Condition 8 or, in the case of Currency Linked Notes, following a Currency Disruption Event, in accordance with Condition 9(b)(i)(D)) or following an Additional Disruption Event (if applicable) or, following a Scheduled Payment Currency Disruption Event: Condition 5(e) applies  
 – Fixed Early Redemption Amount: [●][Not Applicable]  
 – Fixed Early Redemption Percentage: [●]%[Not Applicable]  
 – Including Interest: [Applicable][Not Applicable]
- 27 **Index Linked Redemption Notes:** [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Index and details of the relevant Sponsors:
- Index: *[name and short description of type of index.]*
- Index Sponsor: *[specify]*
- Multiplier (per cent.): *[specify]*
- Exchange: *[specify]*
- Related Exchange: *[All Exchanges][specify]*



- Designated Multi-Exchange Index: [Applicable][Not Applicable]
- Valuation Time: [specify]
- [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)*
- (Populate the provisions below)*
- (ii) Index Linked Redemption Amount:
- [– Index Redemption Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*
- [– Reference Item<sub>initial</sub>: [[●]  
*(Insert relevant amount, unless Reference Item<sub>initial</sub> Determination or Reference Item<sub>final</sub> Averaging applies)*
- [Reference Item<sub>initial</sub> Determination: [Applicable/Not Applicable]
- [Reference Item<sub>initial</sub> Averaging: [Applicable/Not Applicable]
- [– Valuation Date(s):
- | Valuation Date (where Reference Item <sub>initial</sub> Determination Applicable) | Valuation Dates <sub>t</sub> (where Reference Item <sub>initial</sub> Averaging Applicable) |
|---|---|
| [N/A]   | [N/A]   |
| [●]   | [●], [●], [●]   |
- (Insert the different Valuation Dates for the purpose of determining each Reference Item<sub>initial</sub>, unless relevant amount specified in which case delete the above table)*
- [– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]
- [– Reference Item<sub>final</sub>: [[●]  
*(Insert relevant amount, unless Reference Item<sub>final</sub> Determination or Reference Item<sub>final</sub> Averaging applies)*
- [Reference Item<sub>final</sub> Determination: [Applicable/Not Applicable]
- [Reference Item<sub>final</sub> Averaging: [Applicable/Not Applicable]
- [– Valuation Date(s):
- | Valuation Date (where Reference Item <sub>final</sub> Determination Applicable) | Valuation Dates <sub>t</sub> (where Reference Item <sub>final</sub> Averaging Applicable) |
|---|---|
| [N/A]   | [N/A]   |
| [●]   | [●], [●], [●]   |
- (Insert the different Valuation Dates for the purpose of determining each Reference Item<sub>final</sub>, unless relevant amount specified in which case delete the above table)*
- [– Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]
- [– Scaling Factor: [100]/[●] per cent.]

[- Cap %:	[●]/[Infinity]]
[- Floor %:	[●]/[Zero]]
(iii) Exchange(s):	[●]
(iv) Related Exchange(s):	[All Exchanges]
(v) Valuation Date:	[●]
(vi) Valuation Time:	[Condition 6(d) applies]/[●]
(vii) Multiplier:	[+/-] [●] [100] per cent.
(viii) 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].
(ix) Correction Cut-Off Date:	[●] Business Days prior to the Maturity Date/Not Applicable
<b>28 Equity Linked Redemption Notes</b>	[Applicable/Not Applicable]
(i) Whether the Notes relate to a basket of equity securities or a single equity security, and the identity of the relevant Equity Issuer(s):	[Basket of Underlying Equities/Single Underlying Equity] <i>[(Give or annex details of the relevant Underlying Equities/Underlying Equity, as applicable):</i> <b><i>[The following apply only to Notes which have a single equity component]:</i></b> Underlying Equity: [name and short description of type of shares (which, if “ETF Share” is specified below as applicable, will be ETF Shares)] issued by the Equity Issuer (ISIN: [●]) ETF Share [Applicable/Not Applicable] Underlying Equity <i>[specify]</i> Currency: Equity Issuer: <i>[specify] (in the case of ETF Shares, specify the relevant ETF Issuer)</i> Exchange <i>[specify]</i> Related Exchange: [All Exchanges] <i>[specify]</i> <i>[(The following additional provisions apply only where the relevant equity component is an ETF Share):</i> ETF Adviser: <i>[specify]</i> ETF Administrator: <i>[specify]</i> Reference Index: <i>[specify]</i> <b><i>[The following apply only to Notes with an equity basket component]:</i></b> A basket composed of Underlying Equities in the relative proportions of Underlying Equities of each Equity Issuer specified below: Underlying Equity [name and short description of type of shares (which, if “ETF Share” is

*specified below as applicable, will be ETF Shares)] issued by the Equity Issuer (ISIN: [●])*

ETF Share [Applicable/Not Applicable]  
 Underlying Equity [specify]  
 Currency  
 Equity Issuer [specify] (in the case of ETF Shares, specify the relevant ETF Issuer)  
 Multiplier (per cent.) [specify]  
 Exchange [specify]

*[(The following additional provisions apply only where the relevant equity component is an ETF Share):*

ETF Adviser: [specify]

ETF Administrator: [specify]

Reference Index: [specify]

*[Replicate the details in respect of each Equity in the Basket]*

(ii) Equity Linked Redemption Amount:

[[●]]  
*(Populate the provisions below)*

[- Equity Redemption Multiplier: [+/-][100]/[●] per cent.  
*(This may be a negative value.)*

[- Reference Item<sub>initial</sub>: [[●]]  
*(Insert relevant amount, unless Reference Item<sub>initial</sub> Determination or Reference Item<sub>initial</sub> Averaging applies)]*

[Reference Item<sub>initial</sub> Determination: [Applicable/Not Applicable]

[Reference Item<sub>initial</sub> Averaging: [Applicable/Not Applicable]

[- Valuation Date(s):

Valuation Date (where Reference Item <sub>initial</sub> Determination Applicable)	Valuation Dates <sub>t</sub> (where Reference Item <sub>initial</sub> Averaging Applicable)
[N/A] [●]	[N/A] [●], [●], [●]

*(Insert the different Valuation Dates for the purpose of determining each Reference Item<sub>initial</sub>, unless relevant amount specified in which case delete the above table)]*

[- Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]

[- Reference Item<sub>final</sub>: [[●]]  
*(Insert relevant amount, unless Reference Item<sub>final</sub> Determination or Reference Item<sub>final</sub> Averaging applies)]*

[Reference Item<sub>final</sub> Determination: [Applicable/Not Applicable]

[Reference Item<sub>final</sub> Averaging: [Applicable/Not Applicable]

[- Valuation Date(s):

Valuation Date (where Reference Item <sub>final</sub> Determination Applicable)	Valuation Dates <sub>t</sub> (where Reference Item <sub>final</sub> Averaging Applicable)
[N/A] [•]	[N/A] [•], [•], [•]

*(Insert the different Valuation Dates for the purpose of determining each Reference Item<sub>final</sub>, unless relevant amount specified in which case delete the above table)*

- [- Averaging Disruption Provisions: [Omission]/[Postponement]/[Modified Postponement]/[Not Applicable]]
- [- Scaling Factor: [100]/[•] per cent.]]
- [- Cap %: [•]/[Infinity]]
- [- Floor %: [•]/[Zero]]
- (iii) Related Exchange(s): [All Exchanges]
- (iv) Potential Adjustment Events: [Applicable/Not Applicable]
- (v) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]
- (vi) Tender Offer: [Applicable/Not Applicable]
- (vii) Reference Price: [•]
- (viii) Valuation Date: [•]
- (ix) Valuation Time: [Condition 7(d) applies]/[•]
- (x) Multiplier: [+/-] [•] [100] per cent.
- (xi) Exchange Rate: [Applicable/Not Applicable] [Insert details]
- (xii) 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].
- (xiii) Correction Cut-Off Date: [[•] Business Days prior to the Maturity Date]/[Not Applicable.]
- (xiv) Trade Date: [•]
- 29 Currency Linked Redemption Notes** [Applicable][Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Currency Linked Redemption Amount: [[•]]  
*(Populate the provisions below)*
- [- Currency Redemption Multiplier: [+/-][100]/[•] per cent.  
*(This may be a negative value.)*
- [- Reference Item<sub>initial</sub>: [[•]]

*(Insert relevant amount, unless Reference Item<sub>initial</sub> Determination or Reference Item<sub>final</sub> Averaging applies)*

[Reference Item<sub>initial</sub> Determination: [Applicable/Not Applicable]

[Reference Item<sub>initial</sub> Averaging: [Applicable/Not Applicable]

[- Valuation Date(s):

Valuation Date (where Reference Item <sub>initial</sub> Determination Applicable)	Valuation Dates <sub>t</sub> (where Reference Item <sub>initial</sub> Averaging Applicable)
[N/A] [•]	[N/A] [•], [•], [•]

*(Insert the different Valuation Dates for the purpose of determining each Reference Item<sub>initial</sub>, unless relevant amount specified in which case delete the above table)*

[- Reference Item<sub>final</sub>:

[[•]

*(Insert relevant amount, unless Reference Item<sub>final</sub> Determination or Reference Item<sub>final</sub> Averaging applies)*

[Reference Item<sub>final</sub> Determination: [Applicable/Not Applicable]

[Reference Item<sub>final</sub> Averaging: [Applicable/Not Applicable]

[- Valuation Date(s):

Valuation Date (where Reference Item <sub>final</sub> Determination Applicable)	Valuation Dates <sub>t</sub> (where Reference Item <sub>final</sub> Averaging Applicable)
[N/A] [•]	[N/A] [•], [•], [•]

*(Insert the different Valuation Dates for the purpose of determining each Reference Item<sub>final</sub>, unless relevant amount specified in which case delete the above table)*

[- Scaling Factor:

[100]/[•] per cent.]

[- Cap %:

[•]/[Infinity]]

[- Floor %:

[•]/[Zero]]

(ii) Currency Rate:

[•]

(iii) Currency Page:

[•]

(iv) Event Currency:

[•]/[Reference Currency]

(v) Base Currency:

[•]/[Specified Currency]

(vi) Reference Currency:

[•]

(vii) Valuation Date:

[•]

(viii) Valuation Time:

[•]

- (ix) Multiplier: [ +/- ] [ ● ] [100] per cent.
- (x) Currency Disruption Events: [Not applicable]
- [Benchmark Obligation Default]
- [Benchmark Obligation description: [ ● ]] (*if Benchmark obligation default applicable*)
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Governmental Authority Default]
- [Illiquidity]
- [Minimum Amount: [ ● ]]; [Illiquidity Valuation Date: [ ● ]] (*if Illiquidity applicable*)
- [Material Change in Circumstances]
- [Nationalisation]
- [Price Materiality]
- [Secondary Rate: [ ● ]]
- [Price Materiality Percentage [ ● ]] (*if Price Materiality applicable*)
- [Price Source Disruption]
- [Specific Inconvertibility]
- [Minimum Amount: [ ● ]] (*if Specific Inconvertibility applicable*)
- [Specific Non-Transferability]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

##### 30 Form of Notes:

New Global Note: [Yes][No]

**31 Calculation Agent responsible for calculating the [Variable] Rate(s) of Interest and Interest Amount(s) and for making calculations pursuant to [Condition 3(c)][Condition 5(d)][Condition 6][Condition 7][Condition 8][Condition 9]:** [(Give name and address)]

##### 32 Additional Financial Centre(s) and/or other elections 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 and Optional Redemption Dates - please insert any additional financial centres required for the definition of Payment Day which applies to payments to be made to Noteholders and separate from the definition of "Additional Business Centre" and "Business Day"*)

- [TARGET Not Required]  
 [Principal Financial Centre Not Required]  
 [Yes/No (if yes, give details)]
- 33 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):**
- DISTRIBUTION**
- 34 (i) If syndicated, names of Managers:** [Not Applicable/*give names*]  
*(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. Describe underwriting)*
- (ii) Date of Subscription Agreement:** [•]
- 35 If non-syndicated, name of relevant Dealer:** [Not Applicable/*give name*]
- 36 Total commission and concession:** [•] per cent. of the Aggregate Nominal Amount
- 37 U.S. Selling Restrictions:** Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]
- 38 Additional selling restrictions:** [Not Applicable/*give details*]
- 39 Public Offer Consent:** [Not Applicable] [An offer of the Notes may be made by the [Dealers/Managers] [and] [*specify names and addresses of any financial intermediaries receiving specific consent*] (the "Initial Authorised Offerors")] [[and by any additional financial intermediaries who have or obtain the Issuer's consent to use the Base Prospectus in connection with the Public Offer, and whose names and addresses are made available, on the website of the Issuer (at [www.kbc.com][•]) as an Authorised Offeror (together being persons to which the Issuer has given its consent, the "Authorised Offerors")] other than pursuant to Article 3(2) of the Prospectus Directive in [*Belgium/The Netherlands/Luxembourg*] (the "Public Offer Jurisdictions") during the period from (and including) [*specify date*] to (and including) [*specify date*] ("Offer Period"). See further Paragraph 10 of Part B below.]
- 40 General consent:** [Applicable][Not Applicable]
- 41 Other conditions to consent:** [Not Applicable][•]

### THIRD PARTY INFORMATION

[[•] (the "Reference Information") has been extracted from [www.standardandpoors.com, www.moody's.com and www.fitchratings.com (the "Relevant Websites")]. 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

[each of the Relevant Websites], 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*

By: \_\_\_\_\_

*Duly authorised*



**PART B - OTHER INFORMATION****1. ADMISSION TO TRADING:**

Admission to trading:

[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 Regulated Market of the Luxembourg Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the Luxembourg Stock Exchange)*] with effect from on or around [the Issue Date][●].] [Not Applicable.]

**2. RATINGS<sup>1</sup>:**

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

[Standard & Poor's Credit Market Services Italy Srl.: [●]]

[Moody's France S.A.S.: [●]]

[Fitch France S.A.S.: [●]]

[[Other]: [●]]

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

[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert credit rating agency name(s)*].]

[[*Insert credit rating agency*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert credit rating agency*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" as published by ESMA in accordance with Article 18(3) of such Regulation]

[[*Insert credit rating agency*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [*insert the name of the relevant EU CRA affiliate that applied for registration*], which is established in the European Union, disclosed the intention to

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<sup>1</sup> A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 and listed on the "List of Registered and Certified CRA's" is published on the ESMA website (<http://esma.europa.eu/page/List-registered-and-certified-CRAs>).

endorse credit ratings of [*insert credit rating agency*].]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [*insert the name of the relevant EU-registered credit rating agency*] in accordance with Regulation (EC) No. 1060/2009. [*Insert the name of the relevant EU-registered credit rating agency*] is established in the European Union and registered under Regulation (EC) No. 1060/2009 and listed on the “List of Registered and Certified CRA’s” as published by ESMA in accordance with Article 18(3) of such Regulation.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

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

[Save for any fees payable to the [Dealers/Managers/Initial Authorised Offerors/Authorised Offerors], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers/Initial Authorised Offers/Authorised Offerors] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business. - *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”.)*

**5. YIELD:**

Indication of yield: [Include for Fixed Rate Notes only]

(i) Gross yield: [•]

- [Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]  
 [Not Applicable]
- (ii) Net yield: [•]  
 [Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]  
 [Not Applicable]
- Maximum yield: [•][*Include for Floating Rate Notes only where a maximum rate of interest applies*]  
 [Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]  
 [Not Applicable]
- Minimum yield: [•][*Include for Floating Rate Notes only where a minimum rate of interest applies*]  
 [Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]  
 [Not Applicable]
6. **HISTORIC INTEREST RATES:** (*Floating Rate Notes only*)  
 [Details of historic and projected performance of [LIBOR/EURIBOR/CMS] rates can be obtained from [Reuters].][Not Applicable]
7. **PERFORMANCE OF INDEX, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE INDEX:** (*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.)][Not Applicable]
8. **PERFORMANCE OF [THE UNDERLYING EQUITY/BASKET OF UNDERLYING EQUITIES], AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE UNDERLYING EQUITY/BASKET OF UNDERLYING EQUITIES]]** (*Equity Linked Notes only*)  
 [The details of past and future performance and volatility of the Underlying Equity/basket of Underlying Equities can be obtained on *[insert relevant Bloomberg page]*.]  
 [Need to include the name of *[the/each]* issuer of the underlying equity/underlying equities 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.)][Not Applicable]

9. **PERFORMANCE OF INFLATION AND OTHER INFORMATION CONCERNING INFLATION INDEX] (Inflation Linked Notes only)**

[The details of past and future performance and volatility of the relevant rates/formula/currencies/ inflation index 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.)][Not Applicable]

10. **[TERMS AND CONDITIONS OF THE OFFER:]**

[Offer 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 - where Additional Settlement Date(s) is/are specified as being applicable, insert the following paragraph:  The date of delivery of the Notes to the investors’ respective book-entry securities accounts will vary depending on the period during which the offer of the Notes is accepted by the relevant investor. The Issuer estimates that the Notes will be delivered on or around the date specified for the relevant period under the heading “Settlement Date” as specified in the table under “Offer Price” above.]
[Manner in and date on which results of the offer and the Additional Settlement Date(s) (if relevant) are to be made public:]	[Not Applicable/give details]
[Procedure for exercise of any right of pre-emption, negotiability of	[Not Applicable/give details]

subscription rights and treatment of subscription rights not exercised:]

[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/the financial intermediaries identified in or in the manner specified in paragraph [●] (*Public Offer Consent*)/*give details*]

#### 11. OPERATIONAL INFORMATION:

(i) ISIN: [●]

(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 payment

(v) Agent: [KBL European Private Banker S.A.] [●]

(vi) Names and addresses of additional Paying Agent(s) (if any): [●] [Not Applicable]  
(*Insert here any other relevant codes such as CUSIP and CINS codes*)

(vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition

will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

**ANNEX  
SUMMARY OF THE NOTES**

*[Insert completed summary for the Notes]*

## TERMS AND CONDITIONS OF THE NOTES

*This section sets out the contractual terms and conditions of the Notes. The subsections on Interest Amounts and redemption contain certain options for determining interest payments (if any), early redemption rights and final redemption payments. The Final Terms will indicate which of these options shall apply for each specific Notes issuance.*

*The following are the Terms and Conditions of the Notes which, as completed in accordance with the applicable Final Terms, will be incorporated by reference into each Global Note (as defined below) and each Definitive Note (as defined below), 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 (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.*

The Notes are 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 (a “Definitive Note”) and (iii) any Global Note.

The Notes and any Coupons (as defined below) are issued pursuant to and have the benefit of an Agency Agreement (the “Agency Agreement”) dated 25 June 2014 as amended and/or supplemented and/or restated from time to time in relation to the Issuer’s EUR 10,000,000,000 Retail Euro Medium Term Note Programme, 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. Global Notes do not have Coupons or Talons attached on issue.

The final terms for a Series of Notes (or the relevant provisions thereof) are set out in Part A of the Final Terms and are attached hereto or endorsed hereon and supplement and complete these Terms and Conditions (the “Conditions”) for the purposes of such Series of Notes. 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 the Notes has been guaranteed by the Guarantor pursuant to a deed of guarantee dated 25 June 2014 as amended and/or supplemented and/or restated from time to time (the “Guarantee”) executed by the Guarantor. The original of the Guarantee is held by the Agent on behalf of the Noteholders and the Couponholders at its specified office.



The Notes are issued on an unsubordinated basis by the Issuer and guaranteed on an unsubordinated basis by the Guarantor as described in Condition 2. 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 “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 and the Couponholders are entitled to the benefit of the Deed of Covenant executed by the Issuer (the “Deed of Covenant”) dated 25 June 2014 as amended and/or supplemented and/or restated from time to time. 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 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 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 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.

Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Range Accrual Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Currency Linked Interest Notes (each, an “Interest Basis”) or a combination of any of the foregoing, depending upon the Interest Basis or Interest Bases shown in the applicable Final Terms. The Notes will be Fixed Redemption Notes (redeeming at par unless the Final Redemption Amount is otherwise specified in the applicable Final Terms), Index Linked Redemption Notes, Equity Linked Redemption Notes, or Currency Linked Redemption Notes, and may be Autocall Notes, 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 Conditions are not applicable.

Subject as set out below, title to the Notes 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 or Coupon as the absolute owner thereof, whether or not overdue and notwithstanding any notice of ownership or writing thereon or 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 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 Amounts 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) Ranking of Notes and Coupons*

The Notes and the relevant 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.

### *(b) Notes Guaranteed*

The Notes are guaranteed as to payment of principal and Interest Amounts by the Guarantor upon the terms contained in the Guarantee.

### *(c) Ranking of Claims on the Guarantee*

Claims in respect of the 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.

### 3 Interest

The applicable Final Terms may specify one or more Interest Basis as being applicable to the Notes. Where more than one Interest Basis is applicable, the Notes shall bear interest in accordance with each of the provisions of this Condition 3 that apply to each applicable Interest Basis. Where an Interest Basis specified in the applicable Final Terms is:

- (i) Index Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 6;
- (ii) Equity Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 7;
- (iii) Inflation Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 8; and
- (iv) Currency Linked Interest Notes, then the provisions of this Condition 3 are subject to Condition 9.

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) its Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified in the applicable Final Terms. Interest will accrue in respect of each Interest Period (as defined in Condition 3(e)) and will be payable in arrear on the Interest Payment Date(s).

The Interest Amount (as defined in Condition 3(e)) payable on Fixed Rate Notes in respect of any Interest Period shall be calculated by applying the relevant 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
- (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 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. 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 in accordance with this Condition 3(a) 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 Conditions:

“Fixed Day Count Fraction” means, in respect of the calculation of an Interest Amount 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 applicable 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:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>2</sub> 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:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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 D<sub>1</sub> will be 30;

“D<sub>2</sub>” 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 D<sub>2</sub> will be 30; and

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

where:

“Determination Period” means, for the purposes of Actual/Actual (ICMA) only, the period from (and including) a Determination Date to (but excluding) the next Determination Date (including where either the applicable Interest Commencement Date or 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).

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

(i) *Interest Period End Dates and Interest Payment Dates*

Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes and Currency Linked Interest Notes bear interest at the rate per annum (expressed as a percentage) equal to the rate of interest determined in accordance with Condition 3(b)(ii), from (and including) their Interest Commencement Date. Interest will accrue in respect of each Interest Period (as defined in Condition 3(e)) relating to an Interest Basis and will be payable in arrear on the applicable Interest Payment Date(s). The Interest Amount payable shall be calculated in accordance with Condition 3(b)(iv).

(ii) *Rate(s) of Interest*

The rate(s) of interest payable from time to time in respect of Notes that are Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes and/or Currency Linked Interest Notes will be equal to the rate(s) of interest determined in accordance with this Condition 3(b)(ii), depending on the Interest Variable Option specified for each such applicable Interest Basis in the applicable Final Terms (each, a “Variable Rate of Interest”), but subject always to any minimum and/or maximum limits imposed on such Variable Rate of Interest in accordance with Condition 3(b)(iii).

For the purposes of any calculations required to calculate a Variable Rate of Interest, unless otherwise specified, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded upwards).

(A) *Screen Rate Determination*

(1) For Floating Rate Notes in respect of which Screen Rate Determination is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will, subject as provided below, be the product of (a) either:

(I) the offered quotation; or

(II) the arithmetic mean 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 the Specified Time (as defined in Condition 3(b)(ii)(A)(4)) on the Interest Determination Date in question plus or minus the Margin (if any) (as indicated in the applicable Final Terms), all as determined by the Calculation Agent and (b) the Interest Multiplier specified in the applicable Final Terms.

(2) If the Reference Rate is specified in the applicable Final Terms to be LIBOR or EURIBOR, where:

(a) 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 Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or

- (b) the Relevant Screen Page is not available or if in the case of Condition 3(b)(ii)(A)(1)(I), no such offered quotation appears or, in the case of Condition 3(b)(ii)(A)(1)(II), fewer than three such offered quotations appear, in each case as at the Specified Time (as defined in Condition 3(b)(ii)(A)(4)), the Calculation Agent shall request each of the Reference Banks (as defined in Condition 3(b)(ii)(A)(4)) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question and if on any Interest Determination Date:
    - (i) two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Variable Rate of Interest for such Interest Period shall be the product of (a) the arithmetic mean (rounded as provided above) of such offered quotations, plus or minus (as appropriate) the Margin (if any), and (b) the Interest Multiplier specified in the applicable Final Terms; or
    - (ii) fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Variable Rate of Interest for the relevant Interest Period shall be the product of (a) the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London interbank market or, if the Reference Rate is EURIBOR, the Euro-zone interbank market, as the case may be, plus or minus (as appropriate) the Margin (if any) and (b) the Interest Multiplier specified in the applicable Final Terms,

all as determined by the Calculation Agent; or
  - (c) the Variable Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Variable Rate of Interest shall be determined as at the last preceding Interest Determination Date.
- (3) If the Reference Rate is CMS and no quotation appears on the Relevant Screen Page at the Specified Time on the relevant Interest Determination Date, then the Variable Rate of Interest will be determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the

European inter-bank market at approximately the Specified Time on the relevant Interest Determination Date. The Calculation Agent will select the five swap dealers in its sole discretion and will request each of those dealers to provide a quotation of its rate in accordance with market practice. If at least three quotations are provided, the Variable Rate of Interest for the relevant Interest Period will be the product of (a) the arithmetic mean (rounded as provided above) of the quotations, eliminating the highest and lowest quotations or, in the event, of equality, one of the highest and one of the lowest quotations plus or minus (as appropriate) the Margin (if any) and (b) the Interest Multiplier specified in the applicable Final Terms. If fewer than three quotations are provided, the Calculation Agent will determine the Variable Rate of Interest in its sole discretion.

- (4) For the purposes of this Condition 3(b)(ii)(A):

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, and in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent in its sole discretion.

“Specified Time” means 11.00 a.m. (London time) in the case of LIBOR, 11.00 a.m. (Brussels time) in the case of EURIBOR, or 11.00 a.m. (Frankfurt time) in the case of CMS.

(B) Rates Variance

For Floating Rate Notes in respect of which Rates Variance is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

- (1)  $[(Rate_1 - \{Rate_2 \times SF\}) \pm Margin]$ ; and
- (2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(B)(1), unless a fixed percentage is specified in the applicable Final Terms, the value of Rate<sub>1</sub> and/or Rate<sub>2</sub> for each Interest Period will be equal to the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) above, for which purpose only (a) the Reference Rate, Interest Determination Date and Relevant Screen Page are as set out in the Rates Variance paragraph of the applicable Final Terms, (b) the Interest Multiplier is 100 per cent. and (c) there is no Margin.

“SF” means the Scaling Factor specified in the applicable Final Terms.

(C) Evolution of Underlying Equity

For Equity Linked Interest Notes in respect of which Evolution of Underlying Equity is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

- (1)  $\left[ \left( \frac{\{Equity_t - [Equity_{t-1} \times SF]\}}{Equity_{t-1}} \right) \pm Margin \right]$ ; and
- (2) the Interest Multiplier specified in the applicable Final Terms.



For the purpose of Condition 3(b)(ii)(C)(1), the value of  $Equity_t$  for each Interest Period will be equal to the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period, and the value of any  $Equity_{t-1}$  for each Interest Period will be equal to the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the  $Equity_{initial}$  Valuation Date).

“SF” means the Scaling Factor specified in the applicable Final Terms.

(D) Evolution of Basket of Underlying Equities

For Equity Linked Interest Notes in respect of which Evolution of Basket of Underlying Equities is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\{Equity Basket_t - [Equity Basket_{t-1} \times SF]\}}{Equity Basket_{t-1}} \right) \pm Margin \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(D)(1), the value of  $EquityBasket_t$  for each Interest Period will be equal to the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period, and the value of any  $EquityBasket_{t-1}$  for each Interest Period will be equal to the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the  $EquityBasket_{initial}$  Valuation Date).

“SF” means the Scaling Factor specified in the applicable Final Terms.

(E) Evolution of Index

For Index Linked Interest Notes in respect of which Evolution of Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\{Index_t - [Index_{t-1} \times SF]\}}{Index_{t-1}} \right) \pm Margin \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(E)(1), the value of any  $Index_t$  for each Interest Period will be equal to the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Interest Period, and the value of any  $Index_{t-1}$  for each Interest Period will be equal to the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the  $Index_{initial}$  Valuation Date).

“SF” means the Scaling Factor specified in the applicable Final Terms.

(F) Evolution of Inflation

For Inflation Linked Interest Notes in respect of which Evolution of Inflation is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\{ \text{Inflation}_t - [\text{Inflation}_{t-1} \times \text{SF}] \}}{\text{Inflation}_{t-1}} \right) \pm \text{Margin} \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(F)(1), the value of any  $\text{Inflation}_t$  for each Interest Period will be equal to the Relevant Level (as defined in Condition 8(a)) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to such Interest Period, and the value of any  $\text{Inflation}_{t-1}$  for each Interest Period will be equal to the Relevant Level (as defined in Condition 8(a)) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following the Interest Commencement Date, the  $\text{Inflation}_{\text{initial}}$  Reference Month).

“SF” means the Scaling Factor specified in the applicable Final Terms.

(G) Evolution of Currency

For Currency Linked Interest Notes in respect of which Evolution of Currency is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\{ \text{Currency}_{t-1} - [\text{Currency}_t \times \text{SF}] \}}{\text{Currency}_t} \right) \pm \text{Margin} \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(G)(1), the value of any  $\text{Currency}_t$  for each Interest Period will be equal to the Reference Price (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to such Interest Period, and the value of any  $\text{Currency}_{t-1}$  for each Interest Period will be equal to the Reference Price (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to the immediately preceding Interest Period (or, with respect to the first Interest Period following its Interest Commencement Date, the  $\text{Currency}_{\text{initial}}$  Valuation Date).

“SF” means the Scaling Factor specified in the applicable Final Terms.

(H) Asian Option – Interest Rates

For Floating Rate Notes in respect of which Asian Option – Interest Rates is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\text{Rate}_{t1} + \text{Rate}_{t2} + \dots + \text{Rate}_{tn}}{n} \right) \pm \text{Margin} \right]; \text{ and}$$

- (2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(H)(1), the value of any Rate<sub>t</sub> for each Interest Period will be equal to the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) above, for which purpose only (a) the Reference Rate, Interest Determination Date(s) and Relevant Screen Page relating to each Rate<sub>tn</sub> are as set out in the Asian Option – Interest Rates paragraph of the applicable Final Terms, (b) the Interest Multiplier is 100 per cent. and (c) there is no Margin.

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(I) Asian Option – Index

For Index Linked Interest Notes in respect of which Asian Option – Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{(\text{Index}_{t1} + \text{Index}_{t2} + \dots + \text{Index}_{tn})}{n} - [\text{Index}_{\text{initial}} \times \text{SF}] \right) \pm \text{Margin} \right]; \text{ and}$$

- (2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(I)(1), the value of (I) Index<sub>initial</sub> will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of each Index<sub>initial</sub> Valuation Date specified in the applicable Final Terms and (II) any Index<sub>t</sub> for each Interest Period will be equal to the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Index<sub>t</sub> and the relevant Interest Period.

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

“SF” means the Scaling Factor specified in the applicable Final Terms.

(J) Asian Option – Inflation

For Inflation Linked Interest Notes in respect of which Asian Option – Inflation is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{(\text{Inflation}_{t1} + \text{Inflation}_{t2} + \dots + \text{Inflation}_{tn})}{n} - [\text{Inflation}_{\text{initial}} \times \text{SF}] \right) \pm \text{Margin} \right]; \text{ and}$$

- (2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(J)(1), the value of (I) Inflation<sub>initial</sub> will be equal to the arithmetic average of the relevant Relevant Level(s) (as defined in Condition 8(a)) determined (and subject to adjustment) in accordance with Condition 8 in respect of each Inflation<sub>initial</sub> Reference Month specified in the applicable Final Terms and (II) any Inflation<sub>t</sub> for each Interest Period will be equal to the Relevant Level (as defined in Condition 8(a)) determined (and subject to adjustment) in accordance with Condition 8

in respect of the Reference Month relating to such Inflation<sub>t</sub> and the relevant Interest Period.

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

“SF” means the Scaling Factor specified in the applicable Final Terms.

(K) Asian Option – Underlying Equity/Basket of Underlying Equities

(i) For Equity Linked Interest Notes in respect of which Asian Option – Underlying Equity is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\text{Equity}_{t1} \pm \text{Equity}_{t2} \pm \dots \pm \text{Equity}_{tn}}{n} - [\text{Equity}_{\text{initial}} \times \text{SF}] \right) \pm \text{Margin} \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(K)(i)(1), the value of (I) Equity<sub>initial</sub> will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of each Equity<sub>initial</sub> Valuation Date specified in the applicable Final Terms and (II) any Equity<sub>t</sub> for each Interest Period will be equal to the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Equity<sub>t</sub> and the relevant Interest Period.

For the purposes of the above, “SF” means the Scaling Factor specified in the applicable Final Terms.

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(ii) For Equity Linked Interest Notes in respect of which Asian Option – Basket of Underlying Equities is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\text{Equity Basket}_{t1} \pm \text{Equity Basket}_{t2} \pm \dots \pm \text{Equity Basket}_{tn}}{n} - [\text{Equity Basket}_{\text{initial}} \times \text{SF}] \right) \pm \text{Margin} \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(K)(ii)(1), the value of (I) EquityBasket<sub>initial</sub> will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of each EquityBasket<sub>initial</sub> Valuation Date specified in the applicable Final Terms and (II) any EquityBasket<sub>t</sub> for each Interest Period will be equal to the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Equity Basket<sub>t</sub> and the relevant Interest Period.

For the purposes of the above, “SF” means the Scaling Factor specified in the applicable Final Terms.

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(L) Asian Option – Currency

For Currency Linked Interest Notes in respect of which Asian Option – Currency is specified as the Interest Variable Option, in each case within the applicable Final Terms, the Variable Rate of Interest for each Interest Period will be the product of:

$$(1) \left[ \left( \frac{\text{Currency}_{\text{initial}} - \left\{ \left[ \frac{\text{Currency}_{t1} \pm \text{Currency}_{t2} \pm \dots \pm \text{Currency}_{tn}}{n} \right] \times \text{SF} \right\}}{\left[ \frac{\text{Currency}_{t1} \pm \text{Currency}_{t2} \pm \dots \pm \text{Currency}_{tn}}{n} \right]} \right) \pm \text{Margin} \right]; \text{ and}$$

(2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(L)(1), the value of (I)  $\text{Currency}_{\text{initial}}$  will be equal to the arithmetic average of the relevant Reference Price(s) (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of each  $\text{Currency}_{\text{initial}}$  Valuation Date specified in the applicable Final Terms and (II) any  $\text{Currency}_t$  for each Interest Period will be equal to the Reference Price (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to such  $\text{Currency}_t$ .

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(M) Digital Option

For any of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes, in respect of which Digital Option is specified as the Interest Variable Option within the applicable Final Terms, the Variable Rate of Interest for each Interest Period and such Interest Basis will be:

- (1) the Digital Option Exercised Rate, if the Digital Option Payment Condition is satisfied; or
- (2) the Digital Option Fallback Rate, if the Digital Option Payment Condition is not satisfied,

in each case with respect to the relevant Interest Period.

For the purposes of this Condition 3(b)(ii)(M):

- (I) the “Digital Option Payment Condition” shall be satisfied with respect to an Interest Period if:
  - (a) “Greater Than” is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is greater than the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms;
  - (b) “Less Than” is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is less than the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms;

- (c) “Greater Than Or Equal To” is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is greater than or equal to the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms; and
  - (d) “Less Than Or Equal To” is specified in the applicable Final Terms as the Digital Option Payment Condition and the Digital Option Variable is less than or equal to the product of (i) the Digital Option Strike and (ii) the Scaling Factor specified in the applicable Final Terms;
- (II) the “Digital Option Exercised Rate” with respect to an Interest Period means:
- (a) if an interest rate (expressed as a percentage per annum rate) is specified as such in the applicable Final Terms, such interest rate;
  - (b) if Screen Rate Determination is specified as the Digital Option Payment Determination Method, the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms; or
  - (c) if Collar Rate is specified as the Digital Option Payment Determination Method, the Variable Rate of Interest will be:  

$$[\text{MAX}(\text{Floor Rate}; \{\text{MIN}[\text{Cap Rate}; \text{Screen Rate} \pm \text{Collar Margin}]\})]$$

For the purpose of Condition 3(b)(ii)(M)(II)(c), the value of the Floor Rate, Cap Rate and Collar Margin (if any) shall be specified in the applicable Final Terms and the Screen Rate shall be the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms.
- (III) the “Digital Option Fallback Rate” with respect to an Interest Period means:
- (a) if Zero is specified as such in the applicable Final Terms, zero (and no Interest Amount shall be payable in respect of the relevant Interest Period); or
  - (b) if an interest rate (expressed as a percentage per annum rate) is specified as such in the applicable Final Terms, such interest rate; or
  - (c) if the Screen Rate Determination is specified as the Digital Option Fallback Rate, the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms; or
  - (d) if Collar Rate is specified as the Digital Option Fallback Rate, the Variable Rate of Interest will be:  

$$[\text{MAX}(\text{Floor Rate}; \{\text{MIN}[\text{Cap Rate}; \text{Screen Rate} \pm \text{Collar Margin}]\})]$$

For the purpose of Condition 3(b)(ii)(M)(III)(d), the value of the Floor Rate, Cap Rate and Collar Margin (if any) shall be specified in the applicable Final Terms, and the Screen Rate shall be the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms.

- (IV) the “Digital Option Variable” with respect to an Interest Period means:
- (a) if the Digital Option Type is specified as Interest Rates, the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms;
  - (b) if the Digital Option Type is specified as Index, the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date relating to such Interest Period; or
  - (c) if the Digital Option Type is specified as Underlying Equity, the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period; or
  - (d) if the Digital Option Type is specified as Basket of Underlying Equities, the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date relating to such Interest Period; or
  - (e) if the Digital Option Type is specified as Inflation, the Relevant Level (as defined in Condition 8(a)) determined (and subject to adjustment) in accordance with Condition 8 in respect of the Reference Month relating to such Interest Period; or
  - (f) if the Digital Option Type is specified as Currency, the Reference Price (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date relating to such Interest Period.
- (V) the “Digital Option Strike” with respect to an Interest Period means:
- (a) if the Digital Option Type is specified as Interest Rates, (x) the percentage rate specified as such in the applicable Final Terms or (y) if Screen Rate Determination is specified as the Digital Option Strike, the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A) for which purpose the Reference Rate, Interest Determination Date(s), Relevant Screen Page, Interest Multiplier and Margin are as set out in the applicable Final Terms;
  - (b) if the Digital Option Type is specified as Index, (x) the index level specified as such in the applicable Final Terms or (y) if Index

Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of the relevant Valuation Date specified for that purpose;

- (c) if the Digital Option Type is specified as Underlying Equity, (x) the amount specified as such in the applicable Final Terms or (y) if Equity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the relevant Valuation Date specified for that purpose;
- (d) if the Digital Option Type is specified as an Basket of Underlying Equities, (x) the amount specified as such in the applicable Final Terms or (y) if Equity Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the relevant Valuation Date specified for that purpose;
- (e) if the Digital Option Type is specified as Inflation, (x) the amount specified as such in the applicable Final Terms or (y) if Inflation Determination is specified as the Digital Option Strike, the Reference Level (as defined in Condition 8(a)) determined (and subject to adjustment) in accordance with Condition 8 in respect of the relevant Reference Month specified for that purpose;
- (f) if the Digital Option Type is specified as Currency, (x) the amount specified as such in the applicable Final Terms or (y) if Currency Determination is specified as the Digital Option Strike, the Reference Price (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of the relevant Valuation Date specified for that purpose.

(N) Single Fixing – Index

For Index Linked Interest Notes in respect of which Single Fixing - Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will be the product of:

- (1)  $\left[\left(\frac{\text{Index}_t}{\text{Denominator}}\right) \% \pm \text{Margin}\right]$ ; and
- (2) the Interest Multiplier specified in the applicable Final Terms.

For the purpose of Condition 3(b)(ii)(N)(1), the value of (I) the Denominator shall be specified in the applicable Final Terms and (II)  $\text{Index}_t$  for the relevant Interest Period will be equal to the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of Valuation Date<sub>t</sub>.

(O) Asian Fixing – Index

For Index Linked Interest Notes in respect of which Asian Fixing - Index is specified in the applicable Final Terms as the Interest Variable Option, the Variable Rate of Interest for an Interest Period will be the product of:



- (1)  $\left[ \left\{ \frac{\text{Index}_{t1} + \text{Index}_{t2} + \dots + \text{Index}_{tn}}{n} \right\} \% \pm \text{Margin} \right]$ ; and
- (2) the Interest Multiplier.

For the purpose of Condition (3)(b)(ii)(O)(1), the value of (I) the Denominator shall be specified in the applicable Final Terms and (II) any  $\text{Index}_t$  for each Interest Period will be equal to the Reference Price (as defined in Condition 6(d)), determined (and subject to adjustment) in accordance with Condition 6 in respect of the Valuation Date<sub>t</sub>.

“n” means the actual number of valuations obtained for the determination of the Variable Rate of Interest, subject to any adjustments.

(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 and applicable Interest Basis, then, in the event that the Variable Rate of Interest in respect of such Interest Period and applicable Interest Basis determined in accordance with the provisions of Condition 3(b)(ii) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period and applicable Interest Basis shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period and applicable Interest Basis, then, in the event that the Variable Rate of Interest in respect of such Interest Period and applicable Interest Basis determined in accordance with the provisions of Condition 3(b)(ii) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Where the Variable Rate of Interest for any Interest Period is negative (whether by operation of a negative Margin, negative Interest Multiplier or otherwise), then such Variable Rate of Interest shall be deemed to be zero.

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

The Calculation Agent will, at or as soon as practicable after each time at which any Rate of Interest is to be determined in respect of an Interest Basis, determine the Variable Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Issuer, the Guarantor and the Agent of each applicable Variable Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the Interest Amount in respect of an Interest Basis for the relevant Interest Period by applying the relevant Rate of Interest to:

- (A) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes or Currency 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 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. Where the Specified Denomination of a Floating Rate Note, an Index

Linked Interest Note, an Equity Linked Interest Note, an Inflation Linked Interest Note or a Currency 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.

For Notes in respect of which more than one Interest Basis applies, a separate Interest Amount may be payable in accordance with each such Interest Basis.

“Day Count Fraction” means, in respect of the calculation of an Interest Amount for any Interest Period in accordance with this Condition 3(b) or Condition 3(c):

- (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:

$$\text{Fixed Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>2</sub> 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” 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 D<sub>1</sub> will be 30; and

“D<sub>2</sub>” 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 D<sub>2</sub> will be 30; and

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

(v) *Notification of Variable Rate of Interest and Interest Amounts*

The Calculation Agent will promptly notify the Agent of each Interest Amount and the Agent will cause each Variable 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, Inflation Linked Interest Notes or Currency Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 17 (*Notices*) as soon as possible after their determinations. 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 the Noteholders in accordance with Condition 17 (*Notices*) and to each stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes are for the time being listed.

(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) by 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 other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Range Accrual Notes*

If the Notes are Range Accrual Notes then the provisions of this Condition 3(c) shall apply.

(i) *Interest Period End Dates and Interest Payment Dates*

Each Range Accrual Note bears interest from (and including) its Interest Commencement Date. Interest will accrue in respect of each Interest Period (as defined in Condition 3(e)) 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 Range Accrual Notes will be determined in the manner specified below.

The Rate of Interest for each Interest Period will, subject as provided below (in particular, under Condition 3(c)(iv)), be the rate determined in accordance with the following (the “Range Accrual Rate of Interest”):

$$\text{RA Base Rate} \times \left[ \frac{N}{A} \right]$$

(iii) *Definitions*

For the purposes of this Condition 3(c):

“A” means the actual number of calendar days of days in the relevant Interest Period;

“Lower Threshold” means the percentage specified as such in the applicable Final Terms;

“N” means the actual number of days in the relevant Interest Period on which the Range Accrual Condition is satisfied, which will occur on any day if:

- (a) “Between (Inclusive)” is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than or equal to the Lower Threshold but less than or equal to the Upper Threshold;
- (b) “Between (Exclusive)” is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than the Lower Threshold but less than the Upper Threshold;
- (c) “Greater Than Lower Threshold” is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than the Lower Threshold;
- (d) “Greater Than Or Equal To Lower Threshold” is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is greater than or equal to the Lower Threshold;
- (e) “Less Than Lower Threshold” is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is less than the Lower Threshold; and
- (f) “Less Than Or Equal To Lower Threshold” is specified in the applicable Final Terms as the Range Accrual Condition and the daily fixing of the Reference Spread is less than or equal to the Lower Threshold;

“RA Base Rate” means the rate (expressed as a percentage) specified as such in the applicable Final Terms;

“Reference Spread” means, the spread of Variable 1 minus Variable 2, to be fixed by the Calculation Agent on each day by reference to information published on the Relevant Screen Page(s) specified in the applicable Final Terms, except that (i) if any day is not a Business Day, the fixing for the immediately preceding Business Day shall be used and (ii) the last fixing of Variable 1 and Variable 2 in each Interest Period will be the fifth Business Day prior to the Interest Payment Date falling at the end of that Interest Period and this fixing will be used for the remaining days of the Interest Period (whether or not they are Business Days);

“Upper Threshold” means the percentage specified as such in the applicable Final Terms;

“Variable 1” means the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A), for which purpose only (x) the Reference Rate, Interest Determination Date(s) and Relevant Screen Rate are as specified in the applicable Final Terms, (y) the Interest Multiplier is 100 per cent. and (2) there is no Margin; and

“Variable 2” means, (a) if applicable, the Variable Rate of Interest determined in accordance with Condition 3(b)(ii)(A), for which purpose only (x) the Reference Rate, Interest Determination Date(s) and Relevant Screen Rate are as specified in the applicable Final Terms, (y) the Interest Multiplier is 100 per cent. and (z) there is no Margin and (b) if not applicable, zero.

(iv) *Minimum Range Accrual Rate of Interest and/or Maximum Range Accrual Rate of Interest*

If the applicable Final Terms specifies a Minimum Range Accrual Rate of Interest for any Interest Period, then, in the event that the Range Accrual Rate of Interest in respect of such Interest Period determined in accordance with Condition 3(c)(ii) is less than such Minimum Range Accrual Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Range Accrual Rate of Interest. If the applicable Final Terms specifies a Maximum Range Accrual Rate of Interest for any Interest Period, then, in the event that the Range Accrual Rate of Interest in respect of such Interest Period determined in accordance with Condition 3(c)(ii) is greater than such Maximum Range Accrual Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Range Accrual Rate of Interest.

(v) *Determination of Range Accrual Rate of Interest and calculation of Interest Amounts*

The Calculation Agent, will, at or as soon as practicable after each time at which the Range Accrual Rate of Interest is to be determined, determine the Range Accrual Rate of Interest for the relevant Interest Period. The Calculation Agent will notify the Issuer, the Guarantor and the Agent of the Range Accrual Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the Interest Amount for the Range Accrual Notes and relevant Interest Period (which may, for the avoidance of doubt, be in addition to any other Interest Amount determined pursuant to this Condition 3) by applying the Range Accrual Rate of Interest to:

- (A) in the case of Range Accrual Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Range Accrual Notes represented by such Global Note; or
- (B) in the case of Range Accrual 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 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. Where the Specified Denomination of a Range Accrual 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.

The Calculation Agent will notify the Agent of the Interest Amount payable on the Range Accrual Notes in respect of each Calculation Amount for the relevant Interest Period as soon as practicable after calculating the same.

“Day Count Fraction” shall have the meaning given to such term in Condition 3(b)(iv).

(vi) *Notification of Range Accrual Rate of Interest and Interest Amounts*

The Calculation Agent will promptly notify the Agent of each Interest Amount and the Agent will cause the Range Accrual 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, the Noteholders and any stock exchange on which the relevant Range Accrual Notes are for the time being listed and notice thereof to be published in accordance with Condition 17 (*Notices*) as soon as possible after their determination. 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 Range Accrual Notes are for the time being listed and to the Noteholders in accordance with Condition 17 (*Notices*).

(vii) *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(c) by 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 other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *Accrual of Interest*

Each 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. 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 (2) five days after the date on which the full amount of the moneys payable on the Notes 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 (*Notices*).

For the avoidance of doubt, where any Autocall Redemption Amount and/or Interest Amount and/or Redemption Amount in respect of Index Linked Notes, Equity Linked Notes, Currency Linked Notes or Autocall Notes is postponed as a result of the occurrence of a Disrupted Day (in each case in accordance with, and as defined in, Conditions 5(d), 6, 7 and 9 respectively), no Interest Amount or other sum shall be payable in respect of the postponement of the payment thereof.

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

For the purposes of these Conditions:

“Interest Amount” means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the amount of interest payable in respect of an Interest Period and such Interest Basis;

“Interest Commencement Date” means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the Interest Commencement Date specified in the applicable Final Terms with respect to such Interest Basis;

“Interest Determination Date” means (i) each date specified as such in the applicable Final Terms; (ii) where “Standard IDD” is specified in the applicable Final Terms (a) if the specified Relevant Screen Page is a LIBOR (other than euro LIBOR or Sterling LIBOR) rate, the 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 relevant Interest Period; (b) if the specified Relevant Screen Page is a Sterling LIBOR rate, the first day of each Interest Period; (c) if the specified Relevant Screen Page is a EURIBOR or euro LIBOR rate, the second day on which the TARGET2 System is open prior to the start of each Interest Period; and (d) if the specified Relevant Screen Page

is a CMS rate, the second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Frankfurt prior to the start of each Interest Period; or (iii) where “Arrears IDD” is specified in the applicable Final Terms, the first day of the next following Interest Period or, in the case of the final Interest Period, the Scheduled Maturity Date;

“Interest Payment Date” means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the Interest Payment Date(s) in each year specified in the applicable Final Terms with respect to such Interest Basis;

“Interest Period” means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), 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;

“Interest Period End Date” means, with respect to each applicable Interest Basis (other than Zero Coupon Notes), the Interest Period End Date(s) in each year specified in the applicable Final Terms with respect to such Interest Basis;

“Reference Rate” means the relevant reference rate specified as such in the applicable Final Terms or, if such reference rate ceases to be calculated and/or published, any successor or replacement rate therefor, in each case as determined by the Calculation Agent acting in good faith;

“Relevant Screen Page” means the relevant page specified as such in the applicable Final Terms or any successor display page, other published source, information vendor or provider that has been officially designated by the official sponsor of the original page or source (or, failing which, the relevant information vendor or provider); 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.

(f) *Business Day Conventions and Business Days*

- (i) If a Business Day Convention is specified in the applicable Final Terms in relation to any date (including, for the avoidance of doubt, any Maturity 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: in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes or Currency Linked Interest Notes only, 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;
- (ii) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day;
- (iii) 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



- (iv) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

In these 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 (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.

All payments will be subject in all cases to any fiscal or other laws, regulations or directives applicable thereto in the place of payment or other laws and regulations to which the Issuer, the Guarantor or its Paying Agents agree to be subject and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or directives or agreements, but without prejudice to the provisions of Condition 11(a) (as applicable).

Any references in these 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 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 Amounts 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)).

Fixed Rate Notes in Definitive form 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, Range Accrual Note, Index Linked Note, Equity Linked Note, Inflation Linked Note, Currency 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 Amount payable thereon (provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate Interest Amount 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 in respect of an applicable Interest Basis, interest (if any) accrued in respect of such Note on such Interest Basis from (and including) the preceding Interest Payment Date or, as the case may be, the applicable 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 Amounts (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 Amounts in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or Interest Amounts 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 Amounts on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and Interest Amounts 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 Amounts 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 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 and shall not be entitled to further Interest Amounts or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 12 (*Prescription*)) 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) in the case of Definitive Notes only, the relevant place of presentation; and
  - (B) each Additional Financial Centre specified in the applicable Final Terms; and
  - (C) a day on which the TARGET2 System is open, unless the applicable Final Terms specify "TARGET Not Required"; and
  - (D) where a sum is payable in a Specified Currency, 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 such Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively) unless the applicable Final Terms specify "Principal Financial Centre Not Required".

(f) *Interpretation of Principal and Interest (Amount(s))*

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

- (i) any additional amounts which may be payable under Condition 11(a) as a result of a withholding or deduction having made in respect of a principal payment under the Notes;
- (ii) the Final Redemption Amount;
- (iii) the Early Redemption Amount;

- (iv) the Optional Redemption Amount(s) (if any);
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(e)(ii)); and
- (vi) 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 Conditions to interest or Interest Amount(s) in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to the Interest Amounts under Condition 11(a).

## 5 Redemption and Purchase

### (a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer on the Maturity Date at an amount in the relevant Specified Currency equal to:

- (i) in the case of Fixed Redemption Notes, par unless the Final Redemption Amount is otherwise specified in the applicable Final Terms; or
- (ii) in the case of Index Linked Redemption Notes, Equity Linked Redemption Notes or Currency Linked Redemption Notes, the applicable Redemption Amount determined in accordance with the provisions of Conditions 6, 7 and 9, respectively.

### (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 the Notes are not Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Currency Linked Interest Notes and/or Range Accrual Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Inflation Linked Interest Notes, Currency Linked Interest Notes and/or Range Accrual Notes), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 17 (*Notices*), 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 any Tax Jurisdiction (as defined below) 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 the Early Redemption Amount referred to in Condition 5(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 (or such other Issuer Call Period of days' notice as is specified in the applicable Final Terms) to the Noteholders in accordance with Condition 17 (*Notices*); 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 (but not some only) of the Notes then outstanding on any Optional Redemption Date (which, if the Notes are due to bear interest, will be an Interest Payment Date) and at their Optional Redemption Amount specified in the applicable Final Terms together with accrued interest (if any). Where the Optional Redemption Date does not fall on an Interest Payment Date, and must fall on a Business Day, such Business Day shall be subject to the Business Day Convention and Additional Business Day Centre(s) specified in the applicable Final terms.

(d) *Autocall Early Redemption*

Where the Autocall Early Redemption provisions are specified to be applicable in the applicable Final Terms ("Autocall Notes"), if the Autocall Condition is satisfied in respect of any Autocall Observation Date:

- (i) the Issuer shall provide notice of such event to the Noteholders in accordance with Condition 17 (*Notices*) as soon as reasonably practicable following the date on which the Autocall Condition is determined to have been satisfied (an "Autocall Early Redemption Notice");
- (ii) such Autocall Early Redemption Notice shall specify the date on which all of the Notes outstanding shall be redeemed early (which will be the next following Interest Payment Date that falls not less than five Business Days following the date on which the Autocall Early Redemption Notice is provided or, if no such date exists, the Maturity Date) at their Autocall Redemption Amount (together with accrued interest(if any)); and
- (iii) for the avoidance of doubt, if the determination of the Autocall Variable or Autocall Strike is postponed as a result of the occurrence of a Disrupted Day (as defined in Conditions 6(c), 7(d) or 9(c), depending on the relevant Autocall Type specified in the applicable Final Terms), then the Autocall Redemption Amount shall be paid without any Interest Amount or other sum in respect of the postponement thereof.

For the purposes of this Condition 5(d):

- (I) the “Autocall Condition” shall be satisfied with respect to an Autocall Observation Date if:
- (a) “Greater Than” is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is greater than the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms;
  - (b) “Less Than” is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is less than the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms;
  - (c) “Greater Than Or Equal To” is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is greater than or equal to the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms; and
  - (d) “Less Than Or Equal To” is specified in the applicable Final Terms as the Autocall Condition and the Autocall Variable is less than or equal to the product of (i) the Autocall Strike and (ii) the Scaling Factor specified in the applicable Final Terms.
- (II) the “Autocall Redemption Amount” means an amount equal to:

- (a) the amount per Calculation Amount specified as such in the applicable Final Terms for a redemption occurring within a specified period of time; or
- (b) if no amount is specified in the applicable Final Terms and the Autocall Type is specified as Index, Underlying Equity or Basket of Underlying Equities an amount determined by the Calculation Agent equal to:

$$\text{MAX} \left[ \text{Floor \%}; \left\{ \text{MIN} \left( \text{Cap \%}; \frac{\text{Reference Item}_{\text{final}}}{\text{SF} \times \text{Reference Item}_{\text{initial}}} \times \text{AM} \right) \right\} \right] \times \text{Calculation Amount}$$

; or

- (c) if no amount is specified in the applicable Final Terms and the Autocall Type is specified as Currency an amount determined by the Calculation Agent equal to:

$$\text{MAX} \left[ \text{Floor \%}; \left\{ \text{MIN} \left( \text{Cap \%}; \frac{\text{Reference Item}_{\text{initial}}}{\text{SF} \times \text{Reference Item}_{\text{final}}} \times \text{AM} \right) \right\} \right] \times \text{Calculation Amount}$$

where the value of:

- (v) “Reference Item<sub>initial</sub>” shall be:
- (i) the index level or amount specified as such for such Autocall Observation Date in the applicable Final Terms; or
  - (ii) if Reference Item<sub>initial</sub> Determination is specified as being applicable in the applicable Final Terms, the Autocall Reference Price in respect of the Valuation Date specified for such Autocall Observation Date; or
  - (iii) if Autocall Reference Item<sub>initial</sub> Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in

respect of the Valuation Dates<sub>t</sub> specified for such Autocall Observation Date;

(w) “Reference Item<sub>final</sub>” shall be:

- (i) the index level or amount specified as such in the applicable Final Terms; or
- (ii) if Reference Item<sub>final</sub> Determination is specified as being applicable in the applicable Final Terms, the Autocall Reference Price in respect of the Valuation Date specified for such Autocall Observation Date; or
- (iii) if Autocall Reference Item<sub>final</sub> Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation Dates<sub>t</sub> specified for such Autocall Observation Date;

(x) “AM” means the Autocall Multiplier specified in the applicable Final Terms;

(y) “Cap %” shall be as specified in the applicable Final Terms; and

(z) “Floor %” shall be as specified in the applicable Final Terms,

and the Autocall 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, *provided* that where Condition 5(d)(iii)(II)(b) or (c) applies in the case of Autocall Notes which are represented by a Global Note, the references to “Calculation Amount” shall be deemed to refer to the aggregate outstanding nominal amount of the Autocall Notes represented by such Global Note.

(III) the “Autocall Reference Price” with respect to any specified Valuation Date means:

- (a) if the Autocall Type is specified as Index, the Reference Price (as defined in Condition 6(d)) determined (and subject to adjustment) in accordance with Condition 6 in respect of such Valuation Date;
- (b) if the Autocall Type is specified as Underlying Equity, the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of such Valuation Date;
- (c) if the Autocall Type is specified as Basket of Underlying Equities, the Reference Price (as defined in Condition 7(d)) determined (and subject to adjustment) in accordance with Condition 7 in respect of the Valuation Date; or
- (d) if the Autocall Type is specified as Currency, the Reference Price (as defined in Condition 9(c)) determined (and subject to adjustment) in accordance with Condition 9 in respect of the Valuation Date.

(IV) the “Autocall Variable” with respect to an Autocall Observation Date means:

- (a) the Autocall Reference Price in respect of the Valuation Date specified in the Autocall Variable paragraph of the applicable Final Terms for such Autocall Observation Date; or

- (b) where Autocall Variable Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation Dates<sub>t</sub> specified in the Autocall Variable paragraph of the applicable Final Terms for such Autocall Observation Date.
- (V) the “Autocall Strike” with respect to an Autocall Observation Date means:
  - (a) if Autocall Strike Amount is specified as being applicable in the applicable Final Terms, the index level or amount specified as such in the applicable Final Terms; or
  - (b) if Autocall Strike Determination is specified as being applicable in the applicable Final Terms, the Autocall Reference Price in respect of the Valuation Date specified for such Autocall Observation Date; or
  - (c) if Autocall Strike Averaging is specified as being applicable in the applicable Final Terms, the Average Autocall Reference Price in respect of the Valuation Dates<sub>t</sub> specified for such Autocall Observation Date.
- (VI) the “Average Autocall Reference Price” with respect to an Autocall Observation Date and:
  - (a) an Autocall Variable where Autocall Variable Averaging is specified as being applicable; and/or
  - (b) an Autocall Strike where Autocall Strike Averaging is specified as being applicable; and/or
  - (c) a Reference Item<sub>initial</sub> where Autocall Reference Item<sub>initial</sub> Averaging is specified as being applicable; and/or
  - (d) a Reference Item<sub>final</sub> where Autocall Reference Item<sub>final</sub> Averaging is specified as being applicable,

in each case within the applicable Final Terms, shall be equal to the arithmetic average of the relevant Autocall Reference Prices determined in respect of each Valuation Date<sub>t</sub> specified for such Autocall Observation Date as follows:

$$\left[ \frac{(\text{Autocall Reference Price}_{t1} + \text{Autocall Reference Price}_{t2} + \dots + \text{Autocall Reference Price}_{tn})}{n} \right]$$

- (VII) “SF” means the Scaling Factor specified in the applicable Final Terms.

(e) *Early Redemption Amounts*

For the purpose of these Conditions, the Early Redemption Amount in respect of any Note shall be, in respect of each nominal amount of such Notes equal to the Calculation Amount, such amount(s) calculated by the Calculation Agent in its sole discretion, acting reasonably, by determining:

- (i) in respect of a Note other than a Zero Coupon Note or a Note redeeming on its Optional Redemption Date in accordance with Condition 5(c) or an Autocall Note redeeming early as a result of the Autocall Condition being satisfied, if:
  - (A) a Fixed Early Redemption Amount or Fixed Early Redemption Percentage is specified in the applicable Final Terms, such amount or an amount equal to the product of the Calculation Amount and such Fixed Early Redemption Percentage, as the case may be,



together with accrued but unpaid interest if “Including Interest” is specified in the applicable Final Terms; or

- (B) no Fixed Early Redemption Amount or Fixed Early Redemption Percentage is specified in the applicable Final Terms, the fair market value of such Notes 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 Condition 5(b); and (II) the references to “together with accrued interest thereon to the date of repayment”, shall be deemed to be deleted from Condition 13 (*Events of Default*); or
- (ii) in respect of a Zero Coupon Note, subject to Condition 5(j) below, the Amortised Face Amount which on the relevant date of early redemption shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield applied on the Amortisation Yield Compounding Basis specified in the applicable Final Terms; or
- (iii) in respect of a Note redeeming early on its Optional Redemption Date in accordance with Condition 5(c), at the relevant Optional Redemption Amount determined pursuant to Condition 5(c) above; or
- (iv) in respect of a Note redeeming early as a result of the Autocall Condition being satisfied, at the relevant Autocall Redemption Amount determined pursuant to Condition 5(d) above.

(f) *Illegality*

In the event that the Calculation Agent determines that the performance of the Issuer’s obligations under the Notes or, as the case may be, the Guarantor’s obligations under the Guarantee, 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 (*Notices*) (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.

(g) *Cessation of Reference Rate*

In the event that the Calculation Agent determines that a Reference Rate for the time being that is required to make any calculations on the Notes has ceased to be calculated and/or published and no successor or replacement rate has been established therefor, the Issuer having given not less than 10 nor more than 30 days’ notice to Noteholders in accordance with Condition 17 (*Notices*) (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.

(h) *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 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.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured 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 Condition 5(h) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) *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 Condition 5(a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 13 (*Events of Default*) 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 Condition 5(e)(ii) 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 to the Noteholder; 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 (*Notices*).

## 6 **Index Linked Notes**

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

Unless Index Linked Notes are previously redeemed or purchased and cancelled, if the determination of (I) an Interest Amount (in the case of Index Linked Interest Notes); or (II) the Redemption Amount (in the case of Index Linked Redemption Notes) is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 6(d) below) which prevents a Valuation Date falling on its corresponding Scheduled Valuation Date, then payment of any such amount (the "Index Linked Affected Amount") shall be postponed to the date which is the Index Linked Interest Payment Extension Number (as specified in the applicable Final Terms) of Business Days following the latest Valuation Date that is necessary to determine such Index Linked Affected Amount, and such Index Linked Affected Amount shall be paid without any Interest Amount or other sum payable in respect of the postponement of the payment thereof.

(a) *Redemption of Index Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of Index Linked Redemption 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 of an Index*

If a relevant Index is (A) 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 (B) 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 for the purposes of the Notes.

(ii) *Modification and Cessation of Calculation of an Index*

If (A) 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 (B) 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 Index Linked Notes and, if so, to either (I) 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 (II) 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 Conditions and/or the applicable Final Terms to account for such substitution; or
- (b) give notice to the Noteholders in accordance with Condition 17 (*Notices*) and redeem all, but not some only, of the Index Linked Redemption Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

(iii) *Correction of an Index Level*

If Correction of Index Levels is specified to be applicable 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 (*Notices*), (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 (*Notices*) giving details of the action proposed to be taken in relation thereto.

(c) *Consequences of Disrupted Days: Averaging Payments*

(i) *Disruption Fallback Provisions*

If the Calculation Agent determines that any Valuation Date in respect of an Averaging Payment is a Disrupted Day, then:

- (a) if “Omission” is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Averaging Payment in respect of such Valuation Date, provided that if through the operation of this provision there would not be any Valuation Date in respect of such Averaging Payment, then the sole Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date;
- (b) if “Postponement” is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 6(c) shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or
- (c) if “Modified Postponement” is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Valid Date following the Scheduled Valuation Date and (B) the Valuation Cut-Off Date, irrespective of whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be a Valuation Date.

(ii) *Determination of Index Levels*

If, in respect of any Index, a Valuation Date falls on the relevant Valuation Cut-Off Date pursuant to Condition 6(c)(i) above:

- (a) if such Valuation Cut-Off Date is not a Disrupted Day for such Index, the Calculation Agent shall determine the Index Level of such Index as at the Reference Time on such Valuation Reference Cut-Off Date; and/or
- (b) if such Valuation Cut-Off Date is a Disrupted Day for such Index, the Calculation Agent shall determine the Index Level for such Index as at the Reference Time on the Valuation Date in accordance with the formula for and method of calculating the Index Level of such Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Reference Time on the Valuation Cut-Off Date of each security comprised in such Index (or, if an event giving rise to a Disrupted Day

(as defined in Condition 7 (*Equity Linked Notes*) in relation to a share) has occurred in respect of the relevant security on the Valuation Cut-Off Date, its good faith estimate of the value for the relevant security as of the Reference Time on the Valuation Cut-Off Date).

(iii) *Notice of Disrupted Day*

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

(d) *Definitions applicable to Index Linked Notes*

For the purposes of this Condition 6:

“Averaging Payment” means any payment relating to:

- (a) Index Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(b)(ii)(I), the Asian Option - Index Interest Variable Option;
- (b) Index Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(b)(ii)(O), the Asian Fixing – Index Interest Variable Option;
- (c) Index Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of “Redemption Amount” below is applicable;
- (d) Index Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5(d)(iii)(IV)(b), 5(d)(iii)(V)(c) or 5(d)(iii)(VI); and
- (e) any other amounts payable on Index Linked Notes to which averaging relates.

“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.

“Index” means, subject to adjustment in accordance with Condition 6(b), the index specified in the applicable Final Terms and related expressions shall be construed accordingly.

“Index Linked Notes” means Index linked Interest Notes and Index Linked Redemption Notes.

“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, an amount calculated by the Calculation Agent equal to:

$$\text{Calculation Amount} \times \text{MAX} \left[ \text{Floor \%}; \left\{ \text{MIN} \left( \text{Cap \%}; 1 + \left[ \text{IRM} \times \frac{\text{Reference Item}_{\text{final}} - (\text{SF} \times \text{Reference Item}_{\text{initial}})}{\text{Reference Item}_{\text{initial}}} \right] \right) \right\} \right]$$

where the value of:

- (u) Floor % shall be specified in the applicable Final Terms;
- (v) Cap % shall be specified in the applicable Final Terms;
- (w) “IRM” means the Index Redemption Multiplier specified in the applicable Final Terms;
- (x) Reference Item<sub>initial</sub> shall be:
  - (i) the amount specified as such in the applicable Final Terms; or
  - (ii) if Reference Item<sub>initial</sub> Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 6(d))



determined (and subject to adjustment) in accordance with this Condition 6 in respect of the Valuation Date<sub>*t*</sub> specified for this purpose in the applicable Final Terms; or

- (iii) if Reference Item<sub>initial</sub> Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 6(*d*)) determined (and subject to adjustment) in accordance with this Condition 6 in respect of each Valuation Date<sub>*t*</sub> specified for this purpose in the applicable Final Terms;

(y) Reference Item<sub>final</sub> shall be:

- (i) the amount specified as such in the applicable Final Terms; or
- (ii) if Reference Item<sub>final</sub> Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 6(*d*)) determined (and subject to adjustment) in accordance with this Condition 6 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or
- (iii) if Reference Item<sub>final</sub> Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 6(*d*)) determined (and subject to adjustment) in accordance with this Condition 6 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and

(z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Index Linked Redemption Notes which are represented by a Global Note, the reference to “Calculation Amount” shall be deemed to refer to the aggregate outstanding nominal amount of the Index Linked Redemption Notes represented by such Global Note. 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 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.

“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).

“Valid Date” means a Scheduled Trading Day that is not a Disrupted Day and on which another Valuation Date does not or is not deemed to occur.

“Valuation Cut-Off Date” means the eighth Scheduled Trading Day following the Scheduled Valuation Date.

“Valuation Date” means 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) which does not relate to an Averaging Payment, then the Valuation Date shall be the earlier of (i) the first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date, (A) the Valuation Cut-Off Date shall be deemed to be that Valuation Date notwithstanding the fact that such day is a Disrupted Day and (B) the Calculation Agent shall determine the Reference Price by determining the level of the Index as of the Valuation Time on the Valuation Cut-Off Date 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 the Valuation Cut-Off Date 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 the Valuation Cut-Off Date, its good faith estimate of the value for the relevant security as of the Valuation Time on the Valuation Cut-Off Date); and
- (b) which relates to an Averaging Payment, then the Valuation Date shall be such date as is determined in accordance with Condition 6(c) above.

“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.

## 7 Equity Linked Notes

If the Notes are Equity Linked Interest Notes and/or Equity Linked Redemption Notes then the provisions of this Condition 7 apply, as applicable, as completed by the applicable Final Terms.

Unless Equity Linked Notes are previously redeemed or purchased and cancelled, if the determination of (I) an Interest Amount (in the case of Equity Linked Interest Notes); or (II) the Redemption Amount (in the case of Equity Linked Redemption Notes) is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 7(d) below) which prevents a Valuation Date falling on its corresponding Scheduled Valuation Date, then payment of any such amount (the “Equity Linked Affected Amount”) shall be postponed to the date which is the Equity Linked Interest Payment Extension Number (as specified in the applicable Final Terms) of Business Days following the latest Valuation Date that is necessary to determine such Equity Linked Affected Amount, and such Equity Linked Affected Amount shall be paid without any Interest Amount or other sum payable in respect of the postponement of the payment thereof.

### (a) *Redemption of Equity Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled as specified below, each nominal amount of Equity Linked Redemption 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) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Correction of Share Prices, Adjustments for Equity Linked Notes*

- (i) If Potential Adjustment Events are specified to be applicable 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 Equity or 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 Reference Item<sub>initial</sub> and/or the Reference Item<sub>final</sub> and/or the Multiplier and/or any of the other terms of these 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 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 Equity or 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 (*Notices*), stating the adjustment to the relevant Interest Amount and/or Redemption Amount and/or, the Reference Item<sub>initial</sub> and/or the Reference Item<sub>final</sub> and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

For the purposes of this Condition 7:

“Potential Adjustment Event” means any of the following:

- (a) a subdivision, consolidation or reclassification of a relevant Underlying Equity (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equity to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of a relevant Underlying Equity of (1) an additional amount of such Underlying Equity or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Equity Issuer equally or proportionately with such payments to holders of such Underlying Equity or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the relevant 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) the declaration or payment of any dividend (or portion thereof) that the Calculation Agent determines to be an extraordinary dividend;
- (d) a call by an Equity Issuer (other than an ETF Issuer) in respect of a relevant Underlying Equity that is not fully paid;
- (e) a repurchase by an Equity Issuer or any of its subsidiaries of a relevant Underlying Equity whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise (excluding any redemption of ETF Shares initiated by an investor on terms consistent with the relevant ETF Documents);
- (f) in respect of an Equity Issuer (other than an ETF 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 Equity.
- (ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency and/or (y) Tender Offer is specified to be applicable in the applicable Final Terms and (in the case of (x)), a De-listing, Merger Event, Nationalisation or (other than in respect of an ETF Share) 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 Reference Item<sub>initial</sub> and/or the Reference Item<sub>final</sub> and/or the Multiplier and/or any of the other terms of these 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 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 (*Notices*) and redeem all, but not some only, of the Equity Linked Redemption Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

If the provisions of Condition 7(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 Equity or 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 (*Notices*) 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 Conditions:

“De-listing” means, in respect of any relevant Underlying Equities, the relevant 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, other than in respect of an ETF Share, 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 the relevant 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 relevant 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 relevant Equity Issuer or its subsidiaries (if any) with or into another entity in which such 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 those 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 Equity Linked Redemption 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, in respect of an Equity Issuer, 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 such 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 to be applicable 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 (*Notices*), (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 Reference Item<sub>initial</sub> and/or the Reference Item<sub>final</sub> and/or the Multiplier and/or any of the other terms of these Conditions and/or the Redemption Amount and/or the applicable Final Terms as the Calculation Agent determines to be appropriate to preserve the economic terms of such Equity Linked 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 7(b)(iv) will affect the currency denomination of any payments in respect of the Equity Linked Notes.

(c) *Consequences of Disrupted Days: Averaging Payments*

(i) *Disruption Fallback Provisions*

- (a) Where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, if the Calculation Agent determines that any Valuation Date in respect of an Averaging Payment is a Disrupted Day, then:
- (i) if “Omission” is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Averaging Payment in respect of such Valuation Date, provided that if through the operation of this provision there would not be any Valuation Date in respect of such Averaging Payment, then the sole Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date;
  - (ii) if “Postponement” is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Scheduled Trading Day following the Scheduled Valuation Date that is not a Disrupted Day and (B) the Valuation Cut-Off Date. Any day (including, for the avoidance of doubt, the Valuation Cut-Off Date) determined to be a Valuation Date as a result of the operation of this Condition 7(c) shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or
  - (iii) if “Modified Postponement” is specified to be applicable in the applicable Final Terms, the Valuation Date shall be the earlier of (A) the first Valid Date following the Scheduled Valuation Date and (B) the Valuation Cut-Off Date, irrespective of

whether the Valuation Cut-Off Date falls on a day that already is or is deemed to be a Valuation Date.

- (b) Where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, if the Calculation Agent determines that any Valuation Date in respect of a Valuation Date for an Averaging Payment is a Disrupted Day in respect of any Underlying Equity, then:
- (i) if “Omission” is specified to be applicable in the applicable Final Terms, such date shall be deemed not to be a Valuation Date in respect of any Underlying Equity in respect of such Reference Date, provided that, if through the operation of this provision there would not be any Valuation Date in respect of such Valuation Date, then:
    - (A) the sole Valuation Date for each Underlying Equity in respect of which the final Valuation Date is not a Disrupted Day shall be the final Valuation Date; and
    - (B) the sole Valuation Date for each Underlying Equity in respect of which the final Valuation Date is a Disrupted Day (each such Underlying Equity, an “Affected Equity”) shall be the earlier of (I) the first Scheduled Trading Day following the final Valuation Date that is not a Disrupted Day in respect of such Affected Equity and (II) the Valuation Date for such Affected Equity;
  - (ii) if “Postponement” is specified to be applicable in the applicable Final Terms, then:
    - (A) the Valuation Date for each Underlying Equity in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and
    - (B) the Valuation Date for each Underlying Equity in respect of which the Valuation Date is a Disrupted Day (each such Underlying Equity, an “Affected Equity”) shall be the earlier of (I) the first Scheduled Trading Day following the Valuation Date that is not a Disrupted Day in respect of such Affected Equity and (II) the Valuation Date for such Affected Equity. Any day (including, for the avoidance of doubt, the Valuation Date) determined to be a Valuation Date as a result of the operation of this Condition 7(c)(ii) shall be a Valuation Date, irrespective of whether it falls on a day that already is or is deemed to be a Valuation Date; or
  - (iii) if “Modified Postponement” is specified to be applicable in the applicable Final Terms then:
    - (A) the Valuation Date for each Underlying Equity in respect of which the Scheduled Valuation Date is not a Disrupted Day shall be the Valuation Date; and
    - (B) the Valuation Date for each Underlying Equity in respect of which the Valuation Date is a Disrupted Day (each such Underlying Equity, an “Affected Equity”) shall be the earlier of (I) the first Valid Date following the Valuation Date in respect of such Affected Equity and (II)



the Valuation Date for such Affected Equity, irrespective of whether the Valuation Date falls on a day that already is or is deemed to be a Valuation Date.

(ii) *Determination of Reference Price*

If, in respect of any Underlying Equity, a Valuation Date is determined pursuant to Condition 7(c)(i) above:

- (i) if such Valuation Date is not a Disrupted Day for such Underlying Equity, the Calculation Agent shall determine the Reference Price of such Underlying Equity as at the Reference Time on such Valuation Date; and/or
- (ii) if such Valuation Date is a Disrupted Day for such Underlying Equity, the Calculation Agent shall determine the Reference Price for such Underlying Equity as at the Reference Time on the Valuation Date as its good faith estimate of the Reference Price of such Underlying Equity as of the Reference Time on the Valuation Date.

(iii) *Notice of Disruption Date*

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 (*Notices*) of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

(d) *Definitions applicable to Equity Linked Notes*

For the purposes of this Condition 7:

“Additional ETF Documents” means, in respect of an ETF, any documents of such ETF which are determined to be Additional ETF Documents by the Calculation Agent.

“Averaging Payment” means any payment relating to:

- (a) Equity Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition (b)(ii)(K), the Asian Option – Underlying Equity/Basket of Underlying Equities Interest Variable Option;
- (b) Equity Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of “Redemption Amount” below is applicable;
- (c) Equity Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5(d)(iii)(IV)(b), 5(d)(iii)(V)(c) or 5(d)(iii)(VI); and
- (d) any other amounts payable on Equity Linked Notes to which averaging relates.

“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, in respect of an Underlying Equity, 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 respect of an Underlying Equity, the issuer of such Underlying Equity (which, in the case of Underlying Equity that is specified as an ETF Share in the applicable Final Terms, will be an ETF Issuer) specified as such in the applicable Final Terms.

“Equity Linked Notes” means Equity Linked Interest Notes and Equity Linked Redemption Notes.

“ETF” means an exchange traded fund.

“ETF Administrator” means, in respect of an ETF Share and the related ETF, any person so specified in the applicable Final Terms or, if no person is so specified, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such ETF according to the ETF Documents.

“ETF Adviser” means, in respect of an ETF Share and the related ETF, any person so specified in the applicable Final Terms or, if no person is so specified, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such ETF.

“ETF Documents” means, in respect of an ETF Share and the related ETF, the constitutive and governing documents, subscription agreements and other agreements of the ETF specifying the terms and conditions relating to such ETF Share and any Additional ETF Documents, in each case, as amended from time to time.

“ETF Issuer” means, in respect of an ETF Share, the issuer of such ETF Share specified as the Equity Issuer in the applicable Final Terms.

“ETF Share” means each ETF share specified as an Underlying Equity in the applicable Final Terms.

“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, in respect of an Underlying Equity, any Scheduled Trading Day on which each Exchange and each Related Exchange for such Underlying Equity is open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“Index Sponsor” means 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 the relevant Reference Index, and (b) announces (directly or through an agent) the level of the relevant Reference Index on a regular basis during each Scheduled Trading Day.

“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, an amount calculated by the Calculation Agent equal to:

$$\text{Calculation Amount} \times \text{MAX} \left[ \text{Floor \%}; \left\{ \text{MIN} \left( \text{Cap \%}; 1 + \left[ \text{ERM} \times \frac{\text{Reference Item}_{\text{final}} - (\text{SF} \times \text{Reference Item}_{\text{initial}})}{\text{Reference Item}_{\text{initial}}} \right] \right) \right\} \right]$$

- (u) Floor % shall be specified in the applicable Final Terms;
- (v) Cap % shall be specified in the applicable Final Terms;
- (w) “ERM” means the Equity Redemption Multiplier specified in the applicable Final Terms;
- (x) Reference Item<sub>initial</sub> shall be:
  - (i) the amount specified as such in the applicable Final Terms; or
  - (ii) if Reference Item<sub>initial</sub> Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 7(d)) determined (and subject to adjustment) in accordance with this Condition 7 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or
  - (iii) if Reference Item<sub>initial</sub> Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 7(d)) determined (and subject to adjustment) in accordance with this Condition 7 in respect of each Valuation Date specified for this purpose in the applicable Final Terms;
- (y) Reference Item<sub>final</sub> shall be:
  - (i) the amount specified as such in the applicable Final Terms; or

- (ii) if Reference Item<sub>final</sub> Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 7(d)) determined (and subject to adjustment) in accordance with this Condition 7 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or
  - (iii) if Reference Item<sub>final</sub> Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 7(d)) determined (and subject to adjustment) in accordance with this Condition 7 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and
- (z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Equity Linked Redemption Notes which are represented by a Global Note, the reference to “Calculation Amount” shall be deemed to refer to the aggregate outstanding nominal amount of the Equity Linked Redemption Notes represented by such Global Note. 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 Index” means, in respect of an ETF Share and the related ETF, the index tracked by such ETF as of the Trade Date, as specified in the applicable Final Terms.

“Reference Price” means, in relation to a Valuation Date and subject to adjustment in accordance with the other provisions of this Condition 7:

- (a) where the Equity Linked 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 a Valuation Time is specified in the applicable Final Terms, the price at such 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 to be applicable in the applicable Final Terms and that Valuation Date is not a Disrupted Day or if Disrupted Day is specified as not applicable 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 to be applicable 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 Equity Linked Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, an amount equal to the sum of the products calculated for each Underlying Equity of (I) the percentage Multiplier specified in the applicable Final Terms for the relevant Undertaking Equity and (II) the official closing price on that Valuation Date (or, if a Valuation Time is specified in the applicable Final Terms, the price at such Valuation Time on that Valuation Date) of the relevant 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 to be applicable in the applicable Final Terms, and that Valuation Date is not a Disrupted Day or if Disrupted Day is specified as not applicable 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). Each value determined pursuant to the foregoing shall be converted, if Exchange Rate is specified to be applicable 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 Underlying Equity, 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 is scheduled to be open for trading for its respective 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 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.

“Underlying Equities” and “Underlying Equity” mean the equity securities or units or equity security or unit specified as such in the applicable Final Terms, which may comprise one or more ETF Shares, and related expressions shall be construed accordingly.

“Valid Date” means a Scheduled Trading Day that is not a Disrupted Day and on which another Valuation Date does not or is not deemed to occur.

“Valuation Cut-Off Date” means the eighth Scheduled Trading Day following the Scheduled Valuation Date.

“Valuation Date” means 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.

- (a) If such day is a Disrupted Day which does not relate to an Averaging Payment:
- (i) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, the Valuation Date shall be the earlier of (i) first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date. If the earlier of such dates is the Valuation Cut-Off Date (i) the Valuation Cut-Off Date 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 using its good faith estimate of the Reference Price as of the Valuation Time on that Valuation Cut-Off Date; or
  - (ii) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities, the Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Underlying Equity affected (each an “Affected Equity”) by the occurrence of a Disrupted Day shall be the earlier of (i) first succeeding Scheduled Trading Day that is not a Disrupted Day; and (ii) the Valuation Cut-Off Date relating to the Affected Equity. If the earlier of such dates is the Valuation Cut-Off Date (i) the Valuation Cut-Off Date 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, determine the Reference Price using, in relation to the Affected Equity, a price determined using its good faith estimate of the value for the Affected Equity as of the Valuation Time on that Valuation Cut-Off Date and otherwise in accordance with the above provisions.
- (b) If such day is a Disrupted Day and relates to an Averaging Payment, such date as is determined in accordance with Condition 7(c) above.

“Valuation Time” means, unless an alternative Valuation Time is specified in the applicable Final Terms, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date in relation to the 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.

## 8 Inflation Linked Interest Notes

If the Notes are Inflation Linked Interest Notes then the provisions of this Condition 8 apply, as completed by the applicable Final Terms.

(a) *Adjustments: Delay in Publication, Cessation of Publication, Manifest Error in Publication, Rebasing of the Inflation Index and Material Modification Prior to Relevant Payment Date*

(i) *Delay in Publication*

If the level of the Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Inflation Linked Notes (a “Relevant Level”) has not been published or announced by the Relevant Determination Date for such Relevant Payment Date, the Calculation Agent shall determine the level of such Inflation Index for such Reference Month (a

“Substitute Inflation Index Level”) in place of such Relevant Level by using the following methodology:

- (A) if applicable, the Calculation Agent will take the same action to determine the Substitute Inflation Index Level for such Relevant Payment Date as that taken by the calculation agent pursuant to the terms and conditions of any relevant Related Bond; or
- (B) if (A) above does not result in a Substitute Inflation Index Level for such Relevant Payment Date for any reason, then the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$$\left[ \left( \text{Substitute Inflation Index Level} = \text{Base Level} \times \left( \frac{\text{Latest Level}}{\text{Reference Level}} \right) \right) \right]$$

Following the determination of a Substitute Inflation Index Level by the Calculation Agent in accordance with this Condition 8(a)(i), the Issuer shall promptly give notice to the Noteholders in accordance with Condition 17 (*Notices*) of such Substitute Inflation Index Level.

If a Relevant Level in respect of a Relevant Payment Date is published or announced at any time after the Relevant Determination Date for such Relevant Payment Date, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level determined pursuant to this Condition 8(a)(i) will be the definitive level for that Reference Month.

For the purposes of this Condition 8(a)(i):

“Base Level” means, in respect of an Inflation Index, the level of such Inflation Index (excluding any “flash” estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

“Latest Level” means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any “flash” estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

“Reference Level” means, in respect of an Inflation Index, the level of such Inflation Index (excluding any “flash” estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in the definition of “Latest Level” above.

(ii) *Cessation of Publication*

If the level of an Inflation Index has not been published or announced for two consecutive months or such other period as is specified in the applicable Final Terms (the “Period of Cessation of Publication”) and/or the relevant Inflation Index Sponsor announces that it will no longer continue to publish or announce such Inflation Index then the Calculation Agent shall determine a successor index (a “Successor Inflation Index”) (in lieu of the relevant previously applicable Inflation Index) for the purposes of the Inflation Linked Interest Notes by using the following methodology:

- (A) if at any time (other than after an Inflation Index Cancellation (as defined below)) a successor index has been designated in respect of an Inflation Index by the calculation agent pursuant to the terms and conditions of any relevant Related Bond, such successor index shall be designated the “Successor Inflation Index” for such Inflation Index for the purposes of all subsequent Relevant Payment Dates, notwithstanding that any other

Successor Inflation Index may previously have been determined pursuant to paragraphs (B) or (C) below;

- (B) if a Successor Inflation Index is not determined pursuant to paragraph (A) above and no Inflation Index Cancellation (as defined below) has occurred and a notice has been given or an announcement has been made by the relevant Inflation Index Sponsor specifying that such Inflation Index will be superseded by a replacement index specified by the relevant Inflation Index Sponsor and the Calculation Agent determines that such replacement Inflation Index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the “Successor Inflation Index” for such Inflation Index for the purposes of the Inflation Linked Interest Notes from the date that such Successor Inflation Index comes into effect; or
- (C) if a Successor Inflation Index has not been determined under (A) or (B) above and no Inflation Index Cancellation (as defined below) has occurred, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If between four and five responses are received and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the “Successor Inflation Index”. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the “Successor Inflation Index”. If fewer than three responses are received, the Calculation Agent will proceed to paragraph (D) hereof; or
- (D) if a Successor Inflation Index is not determined pursuant to paragraphs (A), (B) or (C) above by the Relevant Determination Date in respect of the next succeeding Relevant Payment Date, the Calculation Agent will determine an appropriate alternative index for such Relevant Payment Date and such index will be deemed to be the “Successor Inflation Index” for such Inflation Index.

If a Successor Inflation Index is determined in accordance with the above, the Calculation Agent may make such adjustment(s) to these Conditions and/or the applicable Final Terms as the Calculation Agent determines necessary or appropriate to account for such replacement and determine the effective date(s) of the adjustment(s) to the Inflation Linked Interest Notes.

If the Calculation Agent determines that there is no appropriate alternative index, there will be deemed to be no Successor Inflation Index for such Inflation Index (an “Inflation Index Cancellation”) and, on giving notice to Noteholders in accordance with Condition 17 (*Notices*), the Issuer shall redeem all, but not some only, of the Inflation Linked Interest Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

Notice of the determination of a Successor Inflation Index and the date from which such index becomes the Successor Inflation Index and any relevant adjustment(s) to these Conditions and/or the applicable Final Terms or any Inflation Index Cancellation will be given to Noteholders by the Issuer in accordance with Condition 17 (*Notices*).

(iii) *Manifest Error in Publication*

If, in respect of a Relevant Payment Date and a Relevant Level in respect of such Relevant Payment Date, the Calculation Agent determines that the relevant Inflation Index Sponsor has corrected such Relevant Level to remedy a manifest error in its original publication, prior to



thirty days following publication of such Relevant Level for such Relevant Payment Date the Calculation Agent may use such corrected Relevant Level to calculate any payments under the Inflation Linked Interest Notes in respect of such Relevant Payment Date. Corrections published on or after thirty days following publication of such Relevant Level for such Relevant Payment Date will be disregarded by the Calculation Agent for the purposes of determining any payments under the Inflation Linked Interest Notes.

Notice of any such correction pursuant to this Condition 8(a)(iii) shall be given to Noteholders in accordance with Condition 17 (*Notices*).

(iv) *Rebasing of the Inflation Index*

If the Calculation Agent determines that an Inflation Index has been or will be rebased at any time, such Inflation Index as so rebased (the “Rebased Index”) will be used for purposes of determining any Relevant Level in respect of such Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make (A) such adjustments as are made by the calculation agent pursuant to the terms and conditions of any relevant Related Bond to the levels of such Rebased Index so that such Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased and/or (B) if there is no Related Bond, the Calculation Agent shall make such adjustments to the levels of such Rebased Index so that such Rebased Index levels reflect the same rate of inflation as the relevant Inflation Index before it was rebased and, in each case, the Calculation Agent may make such adjustment(s) to these Conditions and/or the applicable Final Terms as the Calculation Agent determines necessary or appropriate to account for such rebasing and determine the effective date of the adjustment(s) to the Inflation Linked Interest Notes. For the avoidance of doubt, any such rebasing shall not affect prior payments made under the Inflation Linked Interest Notes.

Notice of any adjustment or determination pursuant to this Condition 8(a)(iv) shall be given to Noteholders in accordance with Condition 17 (*Notices*).

(v) *Material Modification Prior to Relevant Payment Date*

If, on or prior to the Relevant Determination Date in respect of any Relevant Payment Date, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index, the Calculation Agent shall (A) make appropriate adjustment(s) to these Conditions and/or the applicable Final Terms, consistent with any adjustments made to any relevant Related Bond as the Calculation Agent determines necessary or appropriate to account for such change to such Inflation Index and determine the effective date(s) of the adjustment(s) to the Inflation Linked Interest Notes, or (B) if there is no relevant Related Bond make only those adjustments to the Conditions and/or the applicable Final Terms as the Calculation Agent determines necessary for the modified Inflation Index to continue as an Inflation Index.

Notice of any adjustment pursuant to this Condition 8(a)(v) shall be given to Noteholders in accordance with Condition 17 (*Notices*).

(b) *For the purposes of this Condition 8:*

“Fallback Bond” means, in respect of an Inflation Index unless otherwise specified in the applicable Final Terms, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if

no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation linked bonds issued on or before the Issue Date of the first Tranche of the relevant Series and, if there is more than one inflation linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

“Inflation Index” means the index specified in the applicable Final Terms or any Successor Inflation Index as nominated pursuant to these Conditions.

“Inflation Index Sponsor” means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index.

“Reference Month” means, in respect of an Inflation Index, the calendar month for which the level of such Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Inflation Index level was reported is a period other than a month, the Reference Month shall be the period for which the Inflation Index level was reported.

“Related Bond” means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms or, if no bond is so specified, the Fallback Bond. If the relevant Related Bond specified in the applicable Final Terms is “Fallback Bond”, then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If “Related Bond: Not Applicable” or no Related Bond is specified in the applicable Final Terms and “Fallback Bond: Not Applicable” is specified in the applicable Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the applicable Final Terms and that bond redeems or matures before the Maturity Date, unless “Fallback Bond: Not Applicable” is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination.

“Relevant Determination Date” means, in respect of a Relevant Payment Date, each date specified as such in the applicable Final Terms.

“Relevant Payment Date” means each date specified as such in the applicable Final Terms.

“Valuation Date” means the date specified in the applicable Final Terms.

## **9 Currency Linked Notes**

If the Notes are Currency Linked Interest Notes and/or Currency Linked Redemption Notes then the provisions of this Condition 9 apply, as applicable, as completed by the applicable Final Terms.

Unless Currency Linked Notes are previously redeemed or purchased and cancelled, if the determination of (I) an Interest Amount (in the case of Currency Linked Interest Notes); or (II) the Redemption Amount (in the case of Currency Linked Redemption Notes) is postponed as a result of the occurrence of a Disrupted Day (as defined in Condition 9(c) below) which prevents a Reference Price being determined on the scheduled Valuation Date, then payment of any such amount (the “Currency Linked Affected Amount”) shall be postponed to the date determined in accordance with Condition 9(b)(i)(B) and such Currency Linked Affected

Amount shall be paid without any interest or other sum payable in respect of the postponement of the payment thereof.

(a) *Redemption of Currency Linked Redemption Notes*

Unless previously redeemed or purchased and cancelled as specified below, each nominal amount of Currency Linked Redemption 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*

With respect to any Currency Linked Note, if any Valuation Date on which a Reference Price (as defined in Condition 9(c) below) is scheduled to be determined is a Disrupted Day and:

- (i) the Valuation Date does not relate to an Averaging Payment, the Calculation Agent may, in its sole and absolute discretion, take any one or more of the following actions:
  - (A) deduct from the relevant Interest Amount and/or Redemption Amount determined on the basis of such Reference Price an amount calculated by the Calculation Agent as representing the cost, expense, charge and/or deduction arising in connection with such Currency Disruption Event(s) or make any other adjustment with respect thereto; and/or
  - (B) postpone any date for payment of the relevant Interest Amount and/or Redemption Amount; and/or
  - (C) in the case of a Price Source Disruption specify and adopt:
    - (I) an appropriate alternate fallback or alternative price or rate source or method of determination selected by the Calculation Agent in its sole discretion; or
    - (II) a replacement of any one or more relevant currencies, as the case may be; or
  - (D) give notice to the Noteholders in accordance with Condition 17 (*Notices*) and redeem all, but not some only, of the Currency Linked Notes at their Early Redemption Amount; or
- (ii) the Valuation Date relates to an Averaging Payment, such Valuation Date will be deemed not to be a relevant Valuation Date for the purposes of determining the relevant Interest Amount or Redemption Amount. If, through operation of this provision, there would not be any Valuation Date with respect to the date for payment of the relevant Interest Amount or Redemption Amount, the provisions of Condition 9(b)(i)(A)-(D) will apply for purposes of determining the relevant Reference Price on such Valuation Date.

(c) *Definitions applicable to Currency Linked Notes*

For the purposes of this Condition 9: “Averaging Payment” means any payment relating to:

- (a) Currency Linked Interest Notes in respect of which the Variable Rate of Interest is determined in accordance with Condition 3(b)(ii)(L), the Asian Option – Currency Interest Variable Option;
- (b) Currency Linked Redemption Notes where sub-paragraph (x)(iii) or sub-paragraph (y)(iii) of the definition of “Redemption Amount” below is applicable;
- (c) Currency Linked Autocall Notes where averaging is applicable to the calculation of the Autocall Redemption Amount under Condition 5(d)(iii)(IV)(b), 5(d)(iii)(V)(c) or 5(d)(iii)(VI); and

(d) any other amounts payable on Currency Linked Notes to which averaging relates.

“Base Currency” means the Currency specified as such in the applicable Final Terms.

“Benchmark Obligation(s)” means the obligation(s) so specified in the applicable Final Terms in relation to the Reference Currency.

“Benchmark Obligation Default” means, with respect to any Benchmark Obligation, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of such Benchmark Obligation, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any principal, interest or other amounts due in respect of such Benchmark Obligation or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of such Benchmark Obligation without the consent of all holders of such Benchmark Obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of the relevant entity to issue or enter into such Benchmark Obligation.

“Currency Disruption Event” means the occurrence with respect to the Issuer, any hedging counterparty of the Issuer or any Affiliate thereof of (A) Benchmark Obligation Default, (B) Dual Exchange Rate, (C) General Inconvertibility, (D) General Non-Transferability, (E) Governmental Authority Default, (F) Illiquidity, (G) Material Change In Circumstances, (H) Nationalisation, (I) Price Materiality, (J) Price Source Disruption, (K) Specific Inconvertibility, or (L) Specific Non-Transferability in each case, if specified as being applicable in the applicable Final Terms.

“Currency Linked Notes” means Currency Linked Interest Notes and Currency Linked Redemption Notes.

“Currency Page” means the page of the relevant screen provider as specified in the applicable Final Terms or any successor page on which the Calculation Agent determines that the relevant Currency Rate is displayed.

“Currency Rate” means, as at any time, the currency exchange rate between the Reference Currency and the Base Currency as specified for the Currency Rate on the Currency Page specified in the applicable Final Terms.

“Disrupted Day” means a day on which one or more relevant Currency Disruption Events has occurred and is continuing.

“Dual Exchange Rate” means the relevant Reference Price splits into dual or multiple currency exchange rates.

“Event Currency” means the currency specified as such in the applicable Final Terms.

“Event Currency Jurisdiction” means, in respect of an Event Currency, the country for which the Event Currency is the lawful currency.

“General Inconvertibility” means the occurrence of any event that generally makes it impossible to convert the Event Currency into the Non-Event Currency in the Event Currency Jurisdiction through customary legal channels.

“General Non-Transferability” means the occurrence of any event that generally makes it impossible to deliver (A) the Non-Event Currency from accounts inside the Event Currency Jurisdiction to accounts

outside the Event Currency Jurisdiction or (B) the Event Currency between accounts inside the Event Currency Jurisdiction or to a party that is a non-resident of the Event Currency Jurisdiction.

“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 the Event Currency Jurisdiction.

“Governmental Authority Default” means, with respect to any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or guarantee, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for borrowed money or guarantee.

“Hedging Arrangements” means any hedging arrangements entered into by the Issuer (and/or its Affiliates) at any time with respect to the Notes, including without limitation the purchase and/or sale of any relevant currency and any associated foreign exchange transactions.

“Illiquidity” means it becomes impossible to obtain a firm quote of the Reference Price for the Minimum Amount (either in one transaction or a commercially reasonable number of transactions that, when taken together, total the Minimum Amount) on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source) or by such other date (the “Illiquidity Valuation Date”) as is specified for such purpose in the applicable Final Terms. If an Illiquidity Valuation Date is specified in the applicable Final Terms and an Illiquidity Market Disruption Event occurs on such date, then the Illiquidity Valuation Date will be deemed to be the Valuation Date for such Notes.

“Material Change in Circumstances” means the occurrence of any event (other than those events specified as Currency Disruption Events in the applicable Final Terms) in the Event Currency Jurisdiction beyond the control of the Issuer which makes it impossible (A) for the Issuer to fulfil its obligations under the Currency Linked Notes, and (B) generally to fulfil obligations similar to the Issuer’s obligations under the Currency Linked Notes.

“Minimum Amount” means the amount specified as such in the applicable Final Terms.

“Nationalisation” means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its Affiliates which are party to any Hedging Arrangements) of all or substantially all of its assets in the Event Currency Jurisdiction.

“Non-Event Currency” means the currency for any Reference Price that is not the Event Currency.

“Price Materiality” means the Primary Rate differs from the Secondary Rate by at least the Price Materiality Percentage.

“Price Materiality Percentage” means the percentage specified as such in the applicable Final Terms.

“Price Source Disruption” means it becomes impossible to obtain the Reference Price on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source).

“Primary Rate” means, in respect of a Notes and for the purposes of the definition of Price Materiality, the Currency Rate.

“Rate Calculation Date” means any Valuation Date specified as such in the applicable Final Terms or any other date on which a Reference Price in respect of Currency Linked Notes is required to be determined in accordance with the Conditions.

“Redemption Amount” means, in relation to a Currency Linked Redemption Note, an amount calculated by the Calculation Agent equal to:

$$\text{Calculation Amount} \times \text{MAX} \left[ \text{Floor \%}; \left\{ \text{MIN} \left( \text{Cap \%}; 1 + \left[ \text{CRM} \times \frac{\text{Reference Item}_{\text{initial}} - (\text{SF} \times \text{Reference Item}_{\text{final}})}{\text{Reference Item}_{\text{final}}} \right] \right) \right\} \right]$$

where the value of:

- (u) Floor % shall be specified in the applicable Final Terms;
- (v) Cap % shall be specified in the applicable Final Terms;
- (w) “CRM” means the Currency Redemption Multiplier specified in the applicable Final Terms;
- (x) Reference Item<sub>initial</sub> shall be:
  - (i) the amount specified as such in the applicable Final Terms; or
  - (ii) if Reference Item<sub>initial</sub> Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 9(c)) determined (and subject to adjustment) in accordance with this Condition 9 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or
  - (iii) if Reference Item<sub>initial</sub> Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 9(c)) determined (and subject to adjustment) in accordance with this Condition 9 in respect of each Valuation Date specified for this purpose in the applicable Final Terms;
- (y) Reference Item<sub>final</sub> shall be:
  - (i) the amount specified as such in the applicable Final Terms; or
  - (ii) if Reference Item<sub>final</sub> Determination is specified as being applicable in the applicable Final Terms, the Reference Price (as defined in this Condition 9(c)) determined (and subject to adjustment) in accordance with this Condition 9 in respect of the Valuation Date specified for this purpose in the applicable Final Terms; or
  - (iii) if Reference Item<sub>final</sub> Averaging is specified as being applicable in the applicable Final Terms, the arithmetic average of the relevant Reference Prices (as defined in this Condition 9(c)) determined (and subject to adjustment) in accordance with this Condition 9 in respect of each Valuation Date specified for this purpose in the applicable Final Terms; and
- (z) SF means the Scaling Factor specified in the applicable Final Terms,

provided always that the Redemption Amount shall in no event be less than zero and in the case of Currency Linked Redemption Notes which are represented by a Global Note, the reference to “Calculation Amount” shall be deemed to refer to the aggregate outstanding nominal amount of the Currency Linked Redemption Notes represented by such Global Note. 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 Currency” means the currency specified as the Reference Currency in the applicable Final Terms.

“Reference Price” means, in relation to any Rate Calculation Date but subject to adjustment in accordance with Condition 9(b), the currency exchange rate equal to (A) the Currency Rate, or (B) if a Currency Rate is not specified, the Spot Rate for that Valuation Date.

“Repudiation” means that, in respect of a Series of Notes, (A) for purposes of the definition of Benchmark Obligation Default, the issuer of or any party to, as the case may be, the relevant Benchmark Obligation disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of the Benchmark Obligation in any material respect, and (B) the relevant Governmental Authority disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of any security, indebtedness for borrowed money or guarantee of such Governmental Authority in any material respect.

“Secondary Rate” means, in respect of the Notes and for the purpose of the definition of Price Materiality, the currency exchange rate specified for such purposes in the applicable Final Terms.

“Specific Inconvertibility” means the occurrence of any event that makes it impossible for the Issuer to convert the Minimum Amount of the Event Currency into the Non-Event Currency in the Event Currency Jurisdiction, other than where such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Currency Linked Notes and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

“Specific Non-Transferability” means the occurrence of any event that makes it impossible for the Issuer to deliver (A) the Non-Event Currency from accounts inside the Event Currency Jurisdiction to accounts outside the Event Currency Jurisdiction, or (B) the Event Currency between accounts inside the Event Currency Jurisdiction or to a party that is a non-resident of the Event Currency Jurisdiction, other than where such impossibility is due solely to the failure by the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the Currency Linked Notes and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

“Spot Rate” means, for any Rate Calculation Date, the currency exchange rate at the Valuation Time of one currency for another expressed as a number of units of the Reference Currency (or fractional amounts thereof) per unit of the Base Currency, as determined in good faith and in a commercially reasonable manner by the Calculation Agent.

“Valuation Date” means each date specified or otherwise determined as a Valuation Date (or, if applicable, the Illiquidity Valuation Date) in the applicable Final Terms as of which a Reference Price is to be determined, subject to adjustment in accordance with the Preceding Business Day Convention unless another Business Day Convention is specified to be applicable to that Valuation Date.

“Valuation Time” means, in respect of a Currency Rate or Spot Rate, the time specified as such in the applicable Final Terms or such other time as the Calculation Agent may select in its absolute discretion and notify to Noteholders in accordance with the General Conditions.

## 10 Additional Disruption Events and Alternative Currency Provisions

### (a) *Additional Disruption Events*

If 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 Condition 10(a)(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 Reference Item<sub>initial</sub> and/or the Reference Item<sub>final</sub> and/or the Multiplier and/or any of the other terms of these 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 (*Notices*) 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 (*Notices*) 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 (A) Change in Law, (B) Hedging Disruption, (C) Increased Cost of Hedging, (D) Increased Cost of Stock Borrow (applicable only for Equity Linked Notes and Index Linked Notes), (E) Insolvency Filing (applicable only for Equity Linked Notes and Index Linked Notes), (F) Loss of Stock Borrow (applicable only for Equity Linked Notes and Index Linked Notes), (G) ETF Cross-contamination (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (H) ETF Insolvency Event (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (I) ETF Modification (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), (J) ETF Regulatory Action (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity) and/or (K) ETF Strategy Breach (applicable only for Equity Linked Notes with an ETF Share specified in the applicable Final Terms as an Underlying Equity), in each case if specified in the applicable Final Terms.

“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.

“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), any relevant security comprised in an Index (in the case of Index Linked Notes) or any relevant asset with respect to the Inflation Index (in the case of Inflation Linked Notes) or (Y) the Issuer 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).

“ETF Cross-contamination” means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), the occurrence of a cross-contamination or other failure to segregate effectively assets between different classes, series or sub-funds of such ETF, and such event continues, in the determination of the Calculation Agent, for the foreseeable future.

“ETF Insolvency Event” means, in respect of an ETF Share, that the ETF Issuer of such ETF Share (each as defined in Condition 7) or any other entity specified in the applicable Final Terms as an “ETF Insolvency Entity” (a) is dissolved or has a resolution passed for its dissolution, winding up, official liquidation (other than pursuant to a consolidation, amalgamation or merger), (b) makes a general assignment or arrangement with or for the benefit of its creditors, (c)(i) 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, 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 by it or such regulator, supervisor or similar official, or (ii) 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 such proceeding or petition is instituted or presented by a person or entity not described in clause (i) above and either (A) 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 (B) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof, (d) 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, (e) 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 fifteen days thereafter, or (f) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) through (e) above.

“ETF Modification” means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), any change or modification of the ETF Documents (as defined in Condition 7) of such ETF which could reasonably be expected to affect (a) the value of such ETF Share, or (b) the rights or remedies of any holder of any ETF Share as compared with those rights and remedies prevailing on the Trade Date, in each case, as determined by the Calculation Agent.

“ETF Strategy Breach” means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), any breach or violation of any strategy or investment guidelines stated in the ETF Documents (as defined in Condition 7) of such ETF in respect of such ETF Share which is reasonably likely, in the determination of the Calculation Agent, to affect (a) the value of such ETF Share, or (b)

the rights or remedies of any holder of any such ETF Share as compared with those rights or remedies prevailing on the Trade Date.

“ETF Regulatory Action” means, in respect of an ETF Share and the related ETF (each as defined in Condition 7), (a) the cancellation, suspension, revocation of the registration or approval of such ETF or such ETF Share by any governmental, legal or regulatory entity with authority over such ETF or such ETF Share, (b) any change in the legal, tax, accounting or regulatory treatment of such ETF Share, such ETF or its ETF Adviser (as defined in Condition 7) which is reasonably likely, in the determination of the Calculation Agent, to have an adverse impact on the value of such ETF Share or on any investor in such ETF Share, or (c) such ETF or any of its ETF Administrator (as defined in Condition 7) or its ETF Adviser becomes subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activity relating to or resulting from the operation of such ETF, ETF Administrator or ETF Adviser.

“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 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 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.

(c) *Alternative Currency Provisions*

If the Alternative Currency Provisions are specified to be applicable in the applicable Final Terms, then if the Issuer in agreement with the Calculation Agent determines that it would be commercially impracticable for the Issuer to satisfy any payment obligation in respect of the Notes when due in the Specified Currency as a result of a Specified Currency Disruption Event, then the Issuer in its sole and absolute discretion may take any one or more of the actions described in Conditions 10(c)(i), (ii) and/or (iii) below:

- (i) determine that the relevant payment obligation of the Issuer in respect of the Notes be postponed to a later date when the relevant Specified Currency Disruption Event has ceased to exist (in the determination of the Calculation Agent), provided that such payment obligation will not be postponed beyond the date falling the Maximum Alternative Currency Number (as specified in the applicable Final Terms) of Business Days after the original due date (such date, the “Postponement Longstop Date”), in which case the relevant payment will be due on the date as so postponed, without any Interest Amount or other sum payable in respect of the postponement of the payment of such amount;
- (ii) determine that the Issuer's obligation to make any payment in respect of the Notes in the Specified Currency, whether or not previously postponed in accordance with Conditions 10(c)(i) above, be replaced by an obligation to make payment of the Alternative Currency Equivalent of such payment, in which case, it will settle any such obligation by payment of the relevant Alternative Currency Equivalent not later than the Postponement Longstop Date; or
- (iii) give notice to the Noteholders in accordance with Condition 17 (*Notices*) and redeem all, but not some only, of the Notes on a date selected by the Issuer by payment of the Alternative Currency Equivalent of, or, if so specified in such notice, an amount in the Specified Currency equal to, the Early Redemption Amount to each Noteholder in respect of each Note held by such Noteholder. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 17 (*Notices*).

Any payment made in the Alternative Currency under such circumstances will constitute valid payment, and will not constitute a default in respect of the Notes.

Upon the occurrence of a Specified Currency Disruption Event and the Issuer in agreement with the Calculation Agent making a determination that such Specified Currency Disruption Event makes it commercially impracticable for the Issuer to satisfy its payment obligations in respect of the Notes when due in the Specified Currency, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 17 (*Notices*) stating the occurrence of the Specified Currency Disruption Event, giving details thereof and the action proposed to be taken in relation thereto. Where the Issuer determines to take further action in accordance with Conditions 10(c)(i) to (iii), a further notice shall be given to Noteholders as soon as reasonably practicable in accordance with Condition 17 (*Notices*).

In making any determination in respect of any Specified Currency Disruption Event, neither the Issuer nor the Calculation Agent shall have regard to any interest arising from circumstances particular to any one or more Noteholders (whatever their number), and, in particular, but without limitation, shall not have regard to the consequences of any such determination for any one or more Noteholders (whatever their number), resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Noteholder shall be entitled to claim, from the Issuer or the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences or other losses of any such determination upon any Noteholders.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 10(c) by the Issuer or the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

(d) *Definitions applicable to the Alternative Currency Provisions*

“AC Rate Calculation Date” means the date specified as such in the applicable Final Terms.

“AC Rate Calculation Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the AC Rate Calculation Jurisdiction(s).

“AC Rate Calculation Date” means the day which is the number of AC Rate Calculation Business Days specified in the relevant Final Terms before the due date for payment of the relevant amount under the Notes or, if the relevant Alternative Currency FX Rate is not available on such day, the last preceding AC Rate Calculation Business Day on which the relevant Alternative Currency FX Rate was most recently available, as determined by the Calculation Agent.

“AC Rate Calculation Jurisdiction(s)” means the jurisdiction(s) that are relevant for determining whether a day is an AC Rate Calculation Business Day, as specified in the relevant Final Terms.

“AC USD Rate Calculation Date” means the date specified as such in the applicable Final Terms.

“AC USD Rate Calculation Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the AC USD Rate Calculation Jurisdiction(s).

“AC USD Rate Calculation Date” means the day which is the number of AC USD Rate Calculation Business Days specified in the relevant Final Terms before the due date for payment of the relevant amount under the Notes or, if the relevant Alternative Currency USD FX Rate is not available on such day, the last preceding AC USD Rate Calculation Business Day on which the relevant Alternative Currency USD FX Rate was most recently available, as determined by the Calculation Agent.

“AC USD Rate Calculation Jurisdiction(s)” means the jurisdiction(s) that are relevant for determining whether a day is an AC USD Rate Calculation Business Day, as specified in the relevant Final Terms.

“Alternative Currency” means the currency specified as such in the relevant Final Terms (or any lawful successor currency to that currency).

“Alternative Currency Equivalent” means, (i) where the Alternative Currency is U.S. dollars, in respect of an amount denominated in the Specified Currency, such amount converted into the Alternative Currency using the Alternative Currency FX Rate for the relevant Rate Calculation Date, all as determined by the Calculation Agent, and (ii) where the Alternative Currency is a currency other than

U.S. dollars, in respect of an amount denominated in the Specified Currency, such amount converted into the Alternative Currency by converting such amount into an amount expressed in U.S. dollars using the Alternative Currency FX Rate for the relevant Rate Calculation Date, and multiplying the resultant U.S. dollar amount by the Alternative Currency USD FX Rate for the relevant Rate Calculation Date, all as determined by the Calculation Agent.

“Alternative Currency FX Rate” means the currency exchange rate at the Valuation Time on the AC Rate Calculation Date for foreign exchange transactions of the Specified Currency into U.S. dollars as determined by the Calculation Agent in good faith and in a commercially reasonable manner, taking into consideration all available information that it deems relevant.

“Alternative Currency USD FX Rate” means the currency exchange rate at the Valuation Time on the AC USD Rate Calculation Date for foreign exchange transactions of U.S. dollars into the Alternative Currency as determined by the Calculation Agent in good faith and in a commercially reasonable manner, taking into consideration all available information that it deems relevant.

“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 the Specified Currency Jurisdiction.

“Illiquidity” means (i) in respect of any payment obligation in respect of the Notes, foreign exchange markets for the Specified Currency becoming illiquid (including, without limitation, the existence of any significant price distortion) or unavailable as a result of which it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates to obtain a sufficient amount of the Specified Currency in order to satisfy any such obligation or (ii) it becomes impossible or commercially impracticable to obtain a firm quote for exchange of the Specified Currency into the Alternative Currency.

“Inconvertibility” means, in respect of any payment or obligation in respect of the Notes, the occurrence of any event that makes it impossible, illegal or commercially impracticable for the Issuer and/or any of its Affiliates to convert any amount due in respect of the Notes in the foreign exchange markets for the Specified Currency (including, without limitation, any event that has the direct or indirect effect of hindering, limiting or restricting convertibility by way of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on repatriation of one currency into another currency) other than where such impossibility, illegality or impracticability is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation);

“Non-Transferability” means, in respect of any payment obligation in respect of the Notes, the occurrence of any event that makes it impossible or commercially impracticable for the Issuer and/or any of its Affiliates to deliver the Specified Currency in relation to any such payment obligation between accounts inside the Specified Currency Jurisdiction or between an account inside the Specified Currency Jurisdiction and an account outside the Specified Currency Jurisdiction, other than where such impossibility or impracticability is due solely to the failure of the Issuer and/or any of its Affiliates to comply with any law, rule or regulation enacted by any relevant Governmental Authority (unless such law, rule or regulation becomes effective on or after the Trade Date and it is impossible or commercially impracticable for the Issuer and/or any of its Affiliates, due to an event beyond its control, to comply with such law, rule or regulation).

“Rate Calculation Date” means an AC Rate Calculation Date or an AC USD Rate Calculation Date;

“Specified Currency Disruption Event” means, in respect of the Specified Currency:

- (i) Inconvertibility;
- (ii) Non-Transferability;
- (iii) Illiquidity; and
- (iv) 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) the Issuer deems necessary to hedge the currency 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).

“Specified Currency Jurisdiction” means the primary jurisdiction for which the Specified Currency is the lawful currency.

## 11 Taxation

### (a) *Tax Gross-Up*

If Condition 11(a) is specified as applicable in the applicable Final Terms, all payments of principal and/or Interest Amounts in respect of the Notes 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, levied or collected by or on behalf of any Tax Jurisdiction, 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 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 or Coupons after such withholding or deduction shall equal the respective amounts of principal and Interest Amounts which would otherwise have been receivable in respect of the Notes 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 or Coupon:

- (i) the Noteholder or Couponholder of which is liable for such taxes, duties, assessments or other charges in respect of such Note or Coupon by reason of his having some connection with any Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (ii) presented for payment in any Tax Jurisdiction; or
- (iii) 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
- (iv) 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
- (v) 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 other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (vi) 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 or Coupon to another Paying Agent in a Member State of the European Union; or
- (vii) where such deduction or withholding is imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (the “Code”), as amended, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement).

As used herein,

- (i) “Tax Jurisdiction” means (i) any jurisdiction under the laws of which, in respect of payments by the Issuer, the Issuer or, in respect of payments by the Guarantor, the Guarantor, or any successor thereto, is organised or (ii) any jurisdiction in which the Issuer or the Guarantor (as applicable), or any successor thereto, is resident for tax purposes; and
- (ii) 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 (*Notices*).

(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 and Coupons will become void unless claims in respect of principal and/or Interest Amounts are made within a period of 10 years (in the case of principal) and five years (in the case of Interest Amounts) 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

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 par (as described in Condition 5(a)), 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 Amounts on any of the Notes 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 “*gerechtelijke reorganisatie*” 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.

#### **14 Replacement of Notes, Coupons and Talons**

Should any Note, 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, 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 other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 in the taxation of savings income 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 (*Notices*).

(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 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 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 Amounts 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. 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 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 or the Coupons (including modifying the date of maturity of the Notes or any date for payment of Interest Amounts 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 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. The Agency Agreement provides that (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Agency Agreement contained by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll or (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the principal amount of the Notes for the time being outstanding, all as more fully described in the Agency Agreement, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Noteholders or pursuant to a resolution in writing shall be binding on all the Noteholders, whether or not they vote on such resolution, and on all Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders 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 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 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 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 Amounts 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(c)), the Guarantee (except Clause 6) 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. Condition 2(c) of the Notes, Clause 6 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 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 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 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 for Proceedings in England, 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 in England. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

### **USE OF PROCEEDS**

*This section explains what the net proceeds from the sale of the Notes issued under the Programme will be used for.*

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 section sets out the form of the guarantee the Guarantor will provide under the Programme.*

THIS DEED OF GUARANTEE is made on 25 June 2014 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 1 (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 a Programme Agreement pursuant to which the Issuer may from time to time issue Notes with a denomination of at least EUR 1,000 (or the equivalent in other currencies) (the "**Programme Agreement**", which expression includes the same as it may be amended, supplemented or restated from time to time) dated 25 June 2014 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).
- (B) This Deed of Guarantee will apply to all Notes issued pursuant to the Issuer's EUR 10,000,000,000 Retail Euro Medium Term Note Programme (the "**Retail 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 25 June 2014 (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 Agency Agreement (the "**Agency Agreement**", which expression includes the same as it may be amended, supplemented or restated from time to time) dated 25 June 2014 with KBL European Private Bankers S.A. (the "**Agent**") and the other agents named therein in relation to the Retail Programme.
- (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. Guarantee

- (A) Subject as set out in Clause 6, 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 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.

## **2. 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).

### **3. 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.

### **4. 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.

### **5. 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.

### **6. Status of Guarantee**

The obligations of the Guarantor under this Guarantee in respect of the 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.

### **7. Withholding or reduction**

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, levied or collected by or on behalf of any Tax Jurisdiction, 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 any Tax Jurisdiction other than the mere holding of such Note, Coupon or Underlying Note; or
- (ii) presented for payment in any Tax Jurisdiction; or
- (iii) 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
- (iv) if demand for payment is made more than 30 days after the Relevant Date (as defined in Condition 11(a)) 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
- (v) 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 other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (vi) 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 Note, Coupon or Underlying Note to another Paying Agent in a Member State of the European Union.

#### **8. 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.

#### **9. 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.

#### **10. 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.

#### **11. 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.

#### **12. 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.

### 13. Governing law and jurisdiction

- (i) This Guarantee (and any non-contractual obligations arising out of or in connection with this Guarantee), except Clause 6, shall be governed by, and construed in accordance with, English law. Clause 6 of this Guarantee (and any non-contractual obligations arising out of or in connection with Clause 6 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 25 June 2014

## DESCRIPTION OF THE ISSUER

*This section provides a description of the Issuer's business activities as well as certain financial information in respect of the Issuer.*

### **KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.**

#### **History and Development**

The Issuer's legal and commercial name is KBC Internationale Financieringsmaatschappij N.V.

The Issuer was incorporated in the form of a limited liability company and was registered in The Netherlands with registered number 33.168.630 on 15 April 1982. The Issuer has an unlimited duration and operates under the laws of The Netherlands.

The Issuer has its registered office at Watermanweg 92, 3067 GG Rotterdam, The Netherlands, telephone number +31 (0)10 4367146. The Issuer's principal objects, as set out in Article 2 of its articles of association are the issue of bonds and the on-lending of the proceeds to the Guarantor, its subsidiaries and associated companies. The Issuer's principal activity consists of the administration of the bonds issued and the loans made.

Subject to satisfactory conclusion of an ongoing feasibility study carried out by the Issuer and its shareholder, KBC Bank NV, the Issuer has the intention to effect a cross-border transfer of its legal seat from The Netherlands to Luxembourg. The contemplated date of transfer of the Issuer's seat to Luxembourg is 1st January 2015, although this may change. The changes to the Issuer's Articles of Association to give effect to the transfer have not yet taken place. The transfer will, amongst others, result in the Issuer becoming a limited liability company incorporated in Luxembourg. If effected, the transfer of seat will however have no impact on the position of the noteholders, regardless of their nationality or place of residence.

#### **Recent Events**

There have not been any recent events relevant to the evaluation of the Issuer's solvency, nor has there been any material adverse change in prospects of the Issuer, since 31 December 2013.

#### **Investments**

There has been no relevant investment made by the Issuer since the date of its last published financial statements.

The Issuer has not resolved upon making any future investments since the date of its last published financial statements.

#### **Business Overview**

- The purpose of the Issuer is the issue of bonds and the on-lending of the proceeds to the Guarantor and its subsidiaries and associated companies. The Issuer's principal activity consists of the administration of the bonds issued and the loans made.
- 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 thereto to which it is, or will be, a party. The Issuer is directly owned by the Guarantor and its debt is fully guaranteed by the Guarantor. The Issuer is accordingly dependent on the Guarantor and other members of the KBC Bank Group servicing those loans.
- The Issuer is indirectly controlled by KBC Group NV and ultimately by the shareholders of KBC Group NV. An overview of the shareholding of KBC Group is available on [www.kbc.com](http://www.kbc.com). At the date

of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group NV are KBC Ancora, Cera, MRBB and the other core shareholders.

- This Base Prospectus does not contain statements regarding the competitive position of the Issuer or forecasts or estimates in respect of the Issuer.

### **Trend Information**

There are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

### **Management Board and Supervisory Board of the Issuer**

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.

As at the date of approval of this Base Prospectus, the composition of the Management Board of the Issuer is set out in table below:

<b>Name</b>	<b>Position</b>	<b>Principal Activities outside the Issuer</b>
J.G. Heffernan	Company Director	None
H.B.J. Wouters	Company Director	General Manager, KBC Bank NV Nederland

The business address of each Company Director of the Issuer in his capacity as such is Watermanweg 92, 3067 GG Rotterdam, The Netherlands. Each Company Director has the power of acting individually and non-jointly to represent and bind the Issuer.

The Issuer's Management Board has no Committees.

As at the date of approval of this Base Prospectus, the Supervisory Board of the Issuer is formed by two members, set out in table below:

<b>Name</b>	<b>Position</b>	<b>Principal Activities outside the Issuer</b>
K. Hoffman	Supervisory Director	Chief Executive Officer, KBC Securities NV Executive Director, KBC Securities Finance LLC Chief Executive Officer, VLK Invest BVBA Executive Director, Magado BVBA
R.J.G. Janssen	Supervisory Director	Executive Director, KBC Credit Investments NV Executive Director, Galloway Bulgaria OOD

The business address of each Supervisory Director of the Issuer in his capacity as such is Watermanweg 92, 3067 GG Rotterdam, The Netherlands.

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties. The Issuer is not aware of any affiliations/associations of the members of the Management Board outside the Issuer which are relevant to the Issuer.

The Issuer has adopted corporate governance policies which comply with the laws and regulations of The Netherlands regarding corporate governance.

The Issuer has two (2) permanent employees. Terms of employment are governed by the Collective Labour Agreement pertaining to the Dutch banking sector. There have been no employee related disputes.

#### **Audit Committee**

The Issuer is considered to be an “Organisatie van Openbaar Belang”. In accordance with the Royal Decree of 26 July 2008, concerning the implementation of Article 41 of EC Directive 2006/43 the Issuer is in principle required to have an Audit Committee. The Issuer uses the exception set out in Article 3a of this Royal Decree which stipulates that the requirement to establish an Audit Committee is not applicable to subsidiaries of a parent company which do have an Audit Committee and comply with the clauses en principes of the Dutch Corporate Governance Code.

#### **Organisational Structure**

The KBC group consists of the KBC Group NV (the holding company) and its wholly-owned subsidiaries KBC Bank NV and KBC Insurance NV. The Issuer is a wholly-owned subsidiary of the Guarantor and acts as a financing vehicle for the Guarantor and its subsidiaries. The Issuer complies with the control requirements and standards of the Group with regard to accounting, operations, internal controls and risk management. For a description of the KBC Bank Group, please see the section titled “Description of the Guarantor” below.

#### **Capital Structure**

<b>Authorised</b>	
50,000 ordinary shares of EUR 453.78 .....	22,689,000
<b>Paid-in and called-up share capital</b>	
10,585 ordinary shares of EUR 453.78 .....	4,803,264

The paid-in and called-up share capital consists of 10,585 ordinary shares of EUR 453.78 each, which are fully held by the Guarantor.

There have been no movements in the issued share capital during 2012 and 2013.

#### **Major Shareholders**

The Guarantor holds 100 per cent. of the share capital of the Issuer. The Issuer is not aware of any arrangements the operation of which may result in a change of control of the Issuer. No specific measures are in place to prevent abuse of control.

## **FINANCIAL STATEMENTS AND SELECTED FINANCIAL INFORMATION OF THE ISSUER**

#### **Historical Financial Information**

The Issuer's economic, asset and financial information for the 2013 and the 2012 financial years are contained in the Issuer's Financial Report 2013 and the Issuer's Financial Report 2012, which are available to the public

and incorporated by reference in this Base Prospectus, as indicated in the section entitled “Documents incorporated by Reference” above.

### Financial Statements

The Issuer prepares audited non-consolidated annual financial statements. The latest audited financial information relating to the Issuer is the Issuer's Financial Report 2013 and is dated 31 March 2014.

The Issuer publishes semi-annual non-consolidated and unaudited financial statements. The latest relating to the Issuer is the Issuer's Interim Financial Report 2013 and is dated 13 August 2013.

### Auditing of historical annual financial information

The report of the independent registered public accounting firm (Ernst and Young Accountants LLP) contained in the Issuer's Financial Report 2013 (pages 26 and 27), and in the Issuer's Financial Report 2012 (pages 27 and 28), respectively, is available to the public and incorporated by reference in this Base Prospectus, as indicated in the section entitled “*Documents incorporated by Reference*” above.

The report dated 31 March 2014 on the financial information for the Issuer's Financial Report 2013 issued by Ernst & Young Accountants LLP, expressed an unqualified opinion on the above mentioned financial information.

The report dated 4 April 2013 on the financial information for the Issuer's Financial Report 2012 issued by Ernst & Young Accountants LLP, expressed an unqualified opinion on the above mentioned financial information.

### Selected Financial Information

Unless the context otherwise requires, the financial information contained in this Base Prospectus regarding the Issuer is taken from the Issuer's Financial Report 2012 for the fiscal year ended on 31 December 2012, which was published on 4 April 2013 (the “Issuer's Financial Report 2012”) and from the Issuer's Financial Report 2013 for the fiscal year ended on 31 December 2013, which was published on 2 April 2014 (the “Issuer's Financial Report 2013” together with the Issuer's Financial Report 2012, the “Issuer's Financial Statements”).

The following table sets out selected financial information for the Issuer. Assets and liabilities are mainly stated at amortised cost. Derivatives are stated in the balance sheet at fair value.

<b>KBC Internationale Financieringsmaatschappij N.V. HIGHLIGHTS OF THE BALANCE SHEET AS AT:</b>		
	<b>(Audited)</b> <b>31/12/2012</b>	<b>(Audited)</b> <b>31/12/2013</b>
<b>Assets</b>	EUR	EUR
<b>Fixed assets</b>		
Financial fixed assets	16,729,030,612	10,296,335,457
Other fixed assets	671,506,432	234,322,112
	17,400,537,044	10,530,657,569
<b>Current assets</b>		
Loans falling due within one year	2,530,393,722	6,741,197,758
Other current assets and cash	348,075,438	309,492,569
	2,878,469,160	7,050,690,327
<b>Total assets</b>	<b>20,279,006,204</b>	<b>17,581,347,896</b>

<b>Liabilities</b>	EUR	EUR
<b>Capital and reserves</b>		
Paid-in and called-up share capital	4,803,264	4,803,264
Reserves	7,711,262	7,285,281
	12,514,526	12,088,545
<b>Long term liabilities</b>	16,733,265,597	10,302,363,547
<b>Other liabilities</b>	666,701,183	229,517,096
<b>Current liabilities</b>	2,866,524,898	7,037,378,708
<b>Total liabilities</b>	<b>20,279,006,204</b>	<b>17,581,347,896</b>

<b>HIGHLIGHTS OF THE PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER 2012 and 31 DECEMBER 2013 (Audited)</b>		
	<b>2012</b>	<b>2013</b>
	EUR	EUR
<b>Interest Income</b>	611,265,414	527,560,801
<b>Interest expense</b>	(606,154,304)	(522,868,940)
<b>Gross margin</b>	5,111,110	4,691,861
<b>Income from participating interests</b>	157,501	-
<b>Total Expenses</b>	(528,406)	(603,501)
<b>Profit before taxation</b>	4,740,205	4,088,360
Corporation tax	(1,135,676)	(1,014,341)
<b>Net profit for the year</b>	<b>3,604,529</b>	<b>3,074,019</b>

An interim dividend of EUR 3,100,000 - comprising the net profit for 2013 and the remainder (EUR 25,981) out of reserves - was paid on 2 January 2014, which was ratified by the Annual General Meeting of Shareholders on 27 May 2014. An interim dividend of EUR 3,500,000 out of net profit for 2012 was paid on 2 January 2013, which was ratified by the Annual General Meeting of Shareholders on 29 May 2013.

During 2013 the Issuer issued notes amounting in total to EUR 1,104,698,281 (2012: EUR 3,910,431,913); the interest income of the Issuer decreased to EUR 527,560,801 compared to EUR 611,265,414 in 2012.

The solvency ratio of the Issuer was 0.07% % at 31 December 2013 (2012: 0.06%).

The liquidity ratio of the Issuer (current assets to current liabilities) was 1 at 31 December 2013 (2012: 1).

The Issuer's Financial Statements have been prepared in accordance with Dutch generally accepted accounting principles. Investors should note that, since the Issuer is not subject to CRD IV requirements, information relating to credit quality and regulatory capital of the Issuer is not available and therefore it is not included in this Base Prospectus.

A copy of the Issuer's Financial Report 2013 has been deposited at the Company Registry in Rotterdam, The Netherlands and is available to the public and incorporated by reference in this Base Prospectus, as indicated in the section entitled "*Documents Incorporated by Reference*" above.

### **Litigation**

In June 2012 KBC Internationale Financieringsmaatschappij N.V. and KBC Bank NV were summoned to appear before the court in Brussels on foot of a claim brought on behalf of former bondholders. The claim amounting to EUR 1,306,137 relates to losses incurred by the investors on early redemption of the bonds held

by them. The lawsuit is being contested by KBC Internationale Financieringsmaatschappij N.V. and KBC Bank NV. Based on the information available to the directors, they are of the opinion that it is unlikely the company will suffer a loss and therefore no provision has been made in the accounts for this. Judgement is not expected until mid-2014 at the earliest.

Except for the above mentioned litigation, 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.



## DESCRIPTION OF THE GUARANTOR

*This section provides a description of the Guarantor's business activities as well as certain financial information in respect of the Guarantor.*

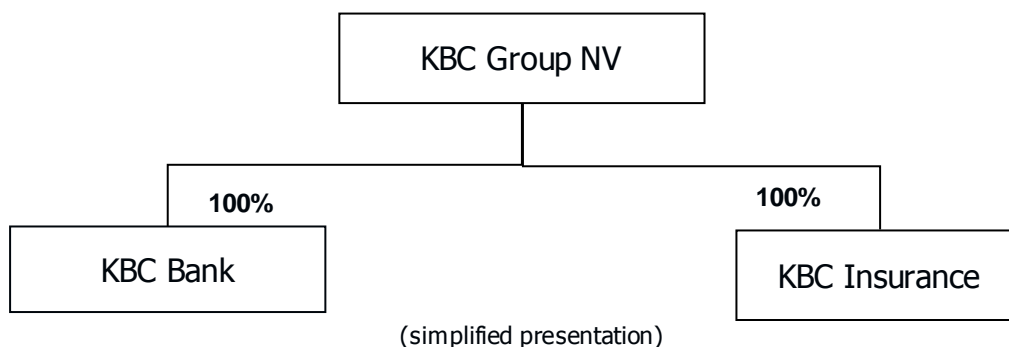
### KBC BANK

#### 1. Creation

KBC Bank NV (“KBC Bank”), a wholly-owned subsidiary of KBC Group NV (“KBC Group”), was established in Belgium in 1998 as a bank (with number BE-0462.920.226) for an unlimited duration 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. As KBC Bank is a wholly-owned subsidiary of KBC Group, KBC Bank is indirectly controlled by the shareholders of KBC Group.

Simplified, KBC Bank was initially formed through the merger of the banking operations of the Almanij-Kredietbank group and CERA Bank group (“CERA”). 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 National Bank of Belgium (“NBB”).

A simplified schematic of KBC Group's legal structure is provided below. KBC Bank and KBC Insurance NV each have a number of subsidiaries, a list of which is available on [www.kbc.com](http://www.kbc.com).



As at the end of December 2013, the share capital of KBC Bank was EUR 8,948,439,652 and consisted of 915,228,482 ordinary shares, one of which is held by KBC Insurance NV and the remainder are held by KBC Group. KBC Group's shares are listed on Euronext Brussels and the Luxemburg Stock Exchange. An overview of the shareholding of KBC Group is available on [www.kbc.com](http://www.kbc.com). At the date of the Base Prospectus and based on the notifications made in accordance with the Belgian law of 2 May 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market, the major shareholders of KBC Group are KBC Ancora, Cera, MRBB and the other core shareholders as well as BlackRock Inc. No specific measures are in place to prevent abuse of control. There are no arrangements in place the operation of which may at a subsequent date result in a change of control of KBC Bank.

KBC Bank, as full subsidiary of KBC Group, also has, besides its banking activities, a holding function for a wide range of group companies, mainly banking and other financial entities in Central and Eastern Europe and in other selected countries, such as Ireland. In its capacity of holding company, KBC Bank is affected by the cash flows from dividends received from these group companies. KBC Bank also functions as funding provider for a number of these group companies.

The major other subsidiary of KBC Group is KBC Insurance NV. KBC Bank cooperates closely with KBC Insurance NV, amongst others, in relation to distribution of insurance products.

In light of the developments relating to the global economic and the financial turmoil in the past years and as a result of the subsequent acceptance of financial support from the Belgian State and Flemish Region, KBC Group was required to submit a restructuring plan to the European Commission. This plan evidently also affects KBC Bank. The government support and the restructuring plan are discussed further under the subsections 13. “Capital transactions and guarantee agreements with the government in 2008 and 2009” and 2. “The EU Plan of KBC Group”.

## **2. The EU Plan of KBC Group**

Since 2009, KBC Group has been working on a strategic analysis of its group-wide activities and of the economic and financial environment the Group operates in. This effort has resulted in a strategic plan, which has been tested under different macroeconomic scenarios. The plan analysed KBC Group’s business and its proposed future strategy, and also served as a basis for the European Commission to assess KBC Group’s capacity to redeem the capital securities subscribed by the Belgian State and the Flemish Region of Belgium (the core capital securities or ‘state aid’, as described above) 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 initial plan was cleared by European regulatory authorities on 18 November 2009. A number of changes were proposed later on and the amended plan was accepted by the EU Commission on 27 July 2011 (the “EU Plan”).

In the EU Plan, KBC Group refocuses on its core bank-insurance activities in Belgium and four selected countries in Central and Eastern Europe (Czech and Slovak Republics, Hungary and Bulgaria). A number of subsidiaries and activities, many of which related to investment banking activities, had to be scaled down or sold. International corporate lending outside the home markets had to be scaled down.

More specifically, the restructuring plan agreed with the European Commission included a list of activities that had to be divested. The entire plan was implemented by the end of 2013 (for two divestment files, however, the sale agreements have been signed, but the deals still need to be finalised).

The following list contains the principal divestments since 2010, based on the year in which the sale agreement was concluded (not the year the deal was closed):

- 2010: KBC Peel Hunt, various specialised merchant banking activities at KBC Financial Products, Secura, KBC Asset Management’s UK and Irish activities, KBC Securities Baltic Investment Company and KBC Business Capital.
- 2011: Centea, KBC Concord Asset Management, KBC Securities’ Serbian and Romanian operations, Fidea and KBL EPB.
- 2012: KBC Goldstate, WARTA, Żagiel, Kredyt Bank (via merger with Bank Zachodni WBK), KBC Autolease Polska, KBC Lease Deutschland, participating interests held by KBC Private Equity, Absolut Bank, and the minority stake in NLB.
- 2013: minority stake in Bank Zachodni WBK, part of KBC Securities in Poland, KBC Bank Deutschland (still to be finalised) and Antwerp Diamond Bank (still to be finalised). For further information in respect of the aforementioned pending divestments, please see the respective press releases dated 9 May 2013 (“PTE Allianz Polska S.A. acquires Warta’s pension fund business in Poland”), 24 September 2013 (“KBC Announces Sale of KBC Bank Deutschland”) and 19

December 2013 (“Yinren Group acquires Antwerp Diamond Bank from KBC”), available on [www.kbc.com](http://www.kbc.com).

### 3. The strategic plan of KBC Group beyond 2013

On 8 October 2012, KBC Group publically announced its strategic plan for the future (the “Strategic Plan”) and its financial aspirations for 2015.

For 2015, KBC Group has the following financial aspirations: it plans to improve its cost/income ratio to 55% by 2015, by both increasing revenues and improving efficiency and creating synergies. The combined ratio target for insurance is set at 95% or less. KBC Group is also targeting a liquidity coverage ratio of 100% and a net stable funding ratio of 105% by 2015. The Group also targets, as of 2013, a fully loaded Basel III common equity ratio of at least 10% (including the remaining state aid).

KBC Group’s Strategic Plan is composed of six drivers:

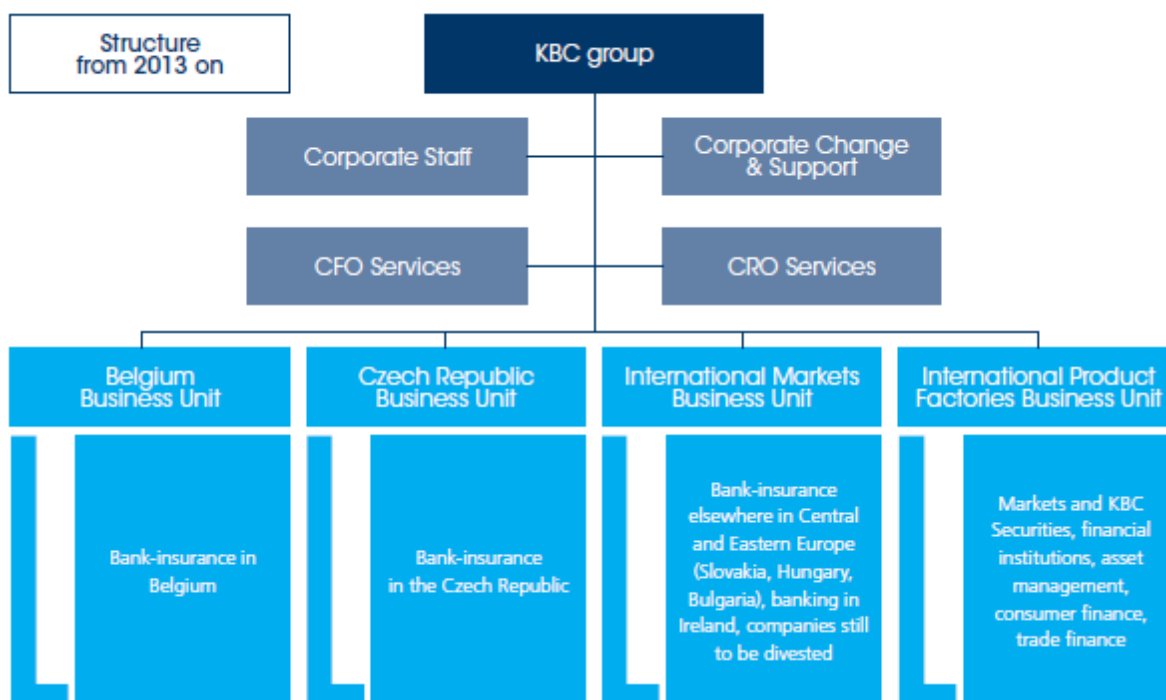
- KBC Group will focus first and foremost on the client. KBC Group aims at building and deepening sustainable relationships with retail, small and medium enterprises (“SMEs”) and midcap clients. KBC Group’s competitive advantage is understanding local clients and tailoring to their local needs. Hence, ‘local responsiveness’ is the key strategic priority and thus the point of gravity is local.
- KBC Group continues to focus on core bank and core insurance products and services. KBC Group confirms its long-standing and long-term commitment to its integrated bank-insurance model, a model which KBC Group has mastered and which has produced excellent results through the cycle.
- KBC Group clearly defines its core markets as those markets where it is present with banking and insurance companies. These core markets are Belgium, the Czech Republic, Hungary, Slovakia and Bulgaria, where the group is strongly embedded in the local economies. All activities which do not contribute to serving the client relationships in KBC Group’s core markets will be stopped in principle; Ireland remains an exception: in the years ahead, KBC Bank Ireland will focus on raising profitability through the provision of retail services.
- KBC Group further mobilises cross-border co-operation and group leverage to create cost-efficiencies throughout the group. International product factories and international service providers will focus on offering products and services which support and are tailored to the distribution strategy of the business units and help to increase local responsiveness. Exchange of know-how, best practices, experience, products and services between the different business units and corporate functions will be stimulated through communities.
- KBC Group implements an organisational structure that is fully aligned with the strategic choices and which supports effective decision making and accountability. The new structure includes, among other things, the creation of a new, separate business unit for the Czech Republic franchise, and clarification of the future role of the former Merchant Banking Business Unit. The new management structure is described below.
- KBC Group commits to a clearly defined group culture. KBC Group will strengthen its agility and responsiveness by emphasising and streamlining performance management and accountability for all staff. A clear link will be established between the strategic priorities and accountability (through key performance indicators).

On 17 June 2014, KBC Group organised an Investor Day, at which occasion (among other things) KBC Group presented an update of its strategy and targets. The presentations of the Investor Day are available

on KBC Group's website ([www.kbc.com](http://www.kbc.com)). Please refer to the press release dated 17 June 2014 ("KBC Group strategy update: Becoming the reference in bank-insurance") on KBC Group's website ([www.kbc.com](http://www.kbc.com)) for further details.

#### 4. Management structure

The strategic choices are fully reflected in the group structure, which consists of a number of business units and support services. In May 2014, the Group further simplified its management structure, which is presented in simplified form as follows:



- The management structure essentially comprises: The three business units, which focus on the local business and are expected to contribute to sustainable profit and growth by catering for clients' needs:
  - (i) The Belgium and Czech Republic Business Unit: both mature market leaders, must ensure stable, growing, high-level profitability.
  - (ii) The International Markets Business Unit: encompasses the other core countries in Central and Eastern Europe (Slovakia, Hungary and Bulgaria) and are viewed as growth generators. KBC Bank Ireland also belongs to this business unit.
  - (iii) The pillars 'CRO Services' and 'CFO Services' (which act as an internal regulator, and whose main role is to support the business units), the 'Corporate Staff' pillar (which is a competence centre for strategic know-how and best practices in corporate organisation and communication) and 'Corporate HR'.
- Each business unit is headed by a Chief Executive Officer ("CEO"), and these CEOs, together with the Group CEO, the Chief Risk Officer ("CRO"), and the Chief Financial Officer ("CFO") of KBC Group constitute the executive committee of the KBC Group.

#### 5. Short presentation of KBC Bank Group

Shareholders (31 December 2013)	Number of shares
KBC Group NV	915,228,481
KBC Insurance NV	1
Total	915,228,482

The shareholdership of KBC Group is available on [www.kbc.com](http://www.kbc.com).

### ***Income Statement***

The table below sets out highlights of the information extracted from the KBC Bank's audited income statement for each of the two years ended 31 December 2012 and 31 December 2013, respectively:

Highlights of the consolidated income statement KBC Bank (in millions of EUR)	2012	2013
Net interest income	3,838	3,456
Dividend income	13	18
Net result from financial instruments at fair value through profit or loss	37	884
Net realised result from available-for-sale assets	90	202
Net fee and commission income	1,589	1,699
Other net income	370	51
<b>TOTAL INCOME</b>	<b>5,937</b>	<b>6,309</b>
Operating expenses	-3,666	-3,280
Impairment	-2,323	-1,827
Share in results of associated companies	8	1
<b>RESULT BEFORE TAX</b>	<b>-44</b>	<b>1,203</b>
Income tax expense	-147	-486
<b>RESULT AFTER TAX</b>	<b>-191</b>	717
Attributable to minority interest	115	128
<b>Attributable to equity holders of the parent</b>	<b>-306</b>	<b>590</b>

### ***Balance sheet***

The table below sets out highlights of the information extracted from the Guarantor's audited balance sheet statement as at 31 December 2012 and 31 December 2013:

Highlights of the consolidated balance sheet KBC Bank (in millions of EUR)	31 – 12 - 2012	31 – 12 - 2013
Total assets	224,824*	208,708
Loans and advances to customers	128,474	123,204
Securities (equity and debt instruments)	48,230	46,276
Deposits from customers and debt securities	163,107	165,418
Risk weighted assets **	88,927	78,120
Total equity	11,902*	12,313
of which parent shareholders' equity	11,184*	11,662

\* Restated according to revised IAS19

\*\* Not audited

**Noteworthy recent events:**

Contingent capital issue: in January 2013, KBC Bank successfully placed 1 billion US dollars of contingent capital notes. The intention to issue these contingent capital notes was announced in a press release in December 2012, which also included the announcement of a capital increase of KBC Group (parent company of KBC Bank) by means of the issue of 58.8 million new shares.

Long-Term Refinancing Operation (“LTRO”) repayment: KBC Group repaid its three-year LTRO to the European Central Bank in the first quarter 2013, for a total amount of EUR 8.3 billion.

Decrease of shareholder loans: in mid-2013, KBC Group reached an agreement for the transfer to another financial institution of EUR 0.3 billion worth of loans granted to KBC Ancora. In addition, Cera and KBC Ancora sold 18.8 million KBC Group shares in November 2013 and used the proceeds to repay outstanding loans with KBC Bank. On balance, loans to shareholders consequently fell from EUR 1.2 billion at year-end 2012 to EUR 0.1 billion at the end of 2013.

AT1 instruments issued by KBC Group: in March 2014, KBC Group issued EUR 1.4 billion CRD IV compliant additional Tier-1 (AT1) instruments. The proceeds are used to strengthen KBC Bank’s Tier-1 capital. Following the successful closure of this AT1 securities issue and the listing of the securities on Euronext Brussels on 19 March 2014, KBC Group announced early April 2014 that it will call five outstanding classic Tier-1 securities on their next call date (see press release dd. 2 April 2014, on [www.kbc.com](http://www.kbc.com)).

<b>Network (as at 31 December 2013)</b>	
Bank branches in Belgium	827
Bank branches in Central and Eastern Europe (Czech republic, Slovakia, Hungary and Bulgaria)	771
Bank branches in the rest of the world (incl. rep. offices)	18*

\* including branches of KBC Bank and KBC Bank Ireland (excluding KBC Bank Deutschland, which is to be divested)

## 6. Ratings of KBC Bank

<b>Long-term credit ratings (as at 25 June 2014)</b>	
Fitch	A-
Moody's	A2
Standard and Poor's	A

Each such credit rating agency<sup>2</sup> is established in the European Union and is registered under Regulation (EC) No. 1060/2009 and listed on the “List of Registered and Certified CRA’s” as published by ESMA in accordance with Article 18(3) of such Regulation.

Standard & Poor's Credit Market Services Italy Srl. (“Standard & Poor's”): An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. (Source: [www.standardandpoors.com](http://www.standardandpoors.com)).

Moody's France S.A.S. (“Moody's”): Obligations rated A are judged to be upper-medium grade and are

<sup>2</sup> A list of credit rating agencies registered under Regulation (EC) No. 1060/2009 and listed on the “List of Registered and Certified CRA’s” is published on the ESMA website (<http://esma.europa.eu/page/List-registered-and-certified-CRAs>)

subject to low credit risk. The modifier 3 indicates a ranking in the lower end of that generic rating category. (Source: [www.moodys.com](http://www.moodys.com)).

Fitch France S.A.S. (“Fitch”): ‘A’ ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. (Source: [www.fitchratings.com](http://www.fitchratings.com)).

The description of the ratings provided above has been extracted from the specified website of the relevant rating agency. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The website of the relevant rating agencies have been provided as sources only and no information from any such web-site is deemed to be incorporated by reference in or forms part of this Base Prospectus and neither the Issuer nor the Guarantor take any responsibility for the information contained in any such web-site.

Ratings can change. Various ratings exist. Investors should look at [www.kbc.com](http://www.kbc.com) for the most recent ratings and for the underlying full analysis of each rating agency to understand the meaning of each rating.

## 7. Main companies belonging to KBC Bank (as of 31 December 2013)

Company	Registered office	Ownership percentage at KBC Bank Level	Activity (simplified)
<b>Main fully consolidated subsidiaries</b>			
Antwerpse Diamantbank NV (sale agreement signed).....	Antwerp – BE	100.00	Credit institution
CBC Banque SA .....	Brussels – BE	100.00	Credit institution
CIBANK AED .....	Sofia - BG	100.00	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 (sale agreement signed).....	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 Commercial Finance NV.....	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	Rotterdam – NL	100.00	Issuance of bonds

Company	Registered office	Ownership percentage at KBC Bank Level	Activity (simplified)
N.V.....			
KBC Lease (group) .....	Various locations	100.00	Leasing
KBC Securities NV .....	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.....	Budapest – HU	100.00	Credit institution
<b>Main proportionately consolidated subsidiaries</b>			
-	-	--	
<b>Main companies accounted for using the equity method</b>			
-	-	--	

A full list of companies belonging to KBC Bank Group is provided in its 2013 annual report.

## 8. General description of activities of KBC Bank Group

KBC Bank Group is a multi-channel bank that caters primarily to private persons, SMEs and midcaps.

Its geographic focus is on Europe. In its “home” markets Belgium, Czech Republic, Slovakia, Hungary and Bulgaria, KBC Bank Group has important and (in some cases) even leading positions. The KBC Bank Group is also present in Ireland and in certain other countries where the primary focus is on supporting the corporate clients of the home markets.

KBC Bank Group's core business is retail and private bank-insurance (including asset management), although it is also active in providing services to corporations and market activities. Across its home markets, KBC Bank Group is active in a large number of products and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses (via its sister company, KBC Insurance NV), to specialised activities such as, but not exclusively, payments services, dealing room activities (money and debt market activities), brokerage and corporate finance, foreign trade finance, international cash management, leasing etc.

As set out in the section “*The EU Plan of KBC Group*” above, the KBC Bank Group is refocusing its business on its core bank-insurance activities in Belgium and a number of countries in Central and Eastern Europe (i.e. the home markets of Czech Republic, Slovakia, Hungary and Bulgaria). Therefore, a number of subsidiaries and activities, many of which related to investment banking activities, have been downscaled or sold. International corporate lending outside the home markets has also been downscaled.

The progress of the execution of the divestment plan is commented on in the 2013 Annual Report and subsequent press releases of KBC Bank or KBC Group and (in an abbreviated form) further on in this section.

Currently, all planned divestments are hence finalised, with the exception of KBC Bank Deutschland and Antwerp Diamond Bank, for both of which a sale agreement has been signed, but not yet finalised. For further information in respect of the aforementioned pending divestments, please see the respective press



releases dated 24 September 2013 (“*KBC Announces Sale of KBC Bank Deutschland*”) and 19 December 2013 (“*Yinren Group acquires Antwerp Diamond Bank from KBC*”), available on [www.kbc.com](http://www.kbc.com).

## 9. Principal markets and activities

### Activities in Belgium

Market position of the bank network in Belgium, end 2013	
Market share (own KBC Bank estimates)	Credits 23% Deposits 17% Investment funds 33%
Bank branches	827

KBC Bank Group has a network of over 800 bank 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 branches focus on providing clients in Belgium with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in co-operation with KBC Bank's sister company, KBC Insurance NV) and other specialised financial banking products and services. KBC Bank's bricks-and-mortar networks in Belgium are supplemented by electronic channels, such as ATMs, telephones and the internet (including a mobile banking app). KBC Bank and CBC Banque serve, based on their own estimates, approximately 3.2 million clients.

The KBC Bank Group considers itself to be an integrated bank-insurer. Certain shared and support services are organised at group level, serving the entire group, and not just the bank or insurance businesses separately. It is KBC Bank Group's aim to continue to actively encourage the cross-selling of bank and insurance products. The success of KBC Group's bank-insurance model is in part due to the co-operation that exists between the bank branches of KBC Bank/CBC Banque and the insurance agents of KBC Insurance/CBC Assurances, 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.

End of 2013, KBC Bank Group had (see table), based on its own estimates, a 20% share of traditional banking activities in Belgium (17% share of the Belgian deposit market and a 23% share of the lending market). Over the past few years, KBC Bank Group has built up a strong position in investment funds too, and leads according to its own estimates the Belgian market with an estimated share of some 33%.

As set out in the EU Plan, the KBC Bank Group has refocused on its core bank-insurance activities in Belgium and selected countries in Central and Eastern Europe. A number of subsidiaries and activities had to be sold. For Belgium, the divestment of Centea - has already been finalised. A sale agreement has been signed for Antwerpse Diamantbank (which is also present in other countries) but the deal still needs to be finalised.

KBC Bank Group believes in the power of a physical presence through a branch and agency network that is close to its clients. At the same time, however, it expects the importance of online and mobile bank-insurance to grow further and it is constantly developing new applications in these areas. This includes the various mobile banking apps for smartphones and tablets, which are being continuously improved and

expanded. KBC-Online is also providing clients with more information than ever and facilities to perform their own banking and/or insurance transactions.

In KBC Group's financial reporting, the Belgian activities are combined into a single Belgium Business Unit. The results of the Belgium Business Unit essentially comprises the activities of KBC Bank NV and KBC Insurance NV, and their Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group (Belgium), KBC Securities and KBC Group Re.

Note: In November 2012, KBC Bank announced a programme for the issue of EUR 10 billion Belgian covered bonds. In December 2012, it launched a first, highly successful issue of covered bonds, for an amount of EUR 1.25 billion and with a maturity of five years. A number of new issues with various maturities followed in 2013, raising a total amount of approximately EUR 2.7 billion.

### Activities in Central and Eastern Europe

Market position of the bank network in the home countries of Central and Eastern Europe end 2013		Czech Republic	Slovakia	Hungary	Bulgaria
Market share	Banking products*	19%	10%	9%	2%
(based on KBC Bank's own estimates)	Investment funds	28%	7%	17%	-
Bank branches	Total	319**	128	220	104

\* Average of the share in credits and the share in deposits

\*\* ČSOB Bank+ Era.

In the Central and Eastern European region, the KBC Bank Group focuses on four home countries, being the Czech Republic, Hungary, Slovakia and Bulgaria. The main KBC Bank Group Central- and Eastern European entities in those home markets are CIBANK (in Bulgaria), ČSOB (in Slovakia), ČSOB (in Hungary). In its four home countries, KBC Bank Group serves, according to own estimates, 4.5 million customers. This customer base, along with KBC Group's insurance customers in the region (via KBC Insurance NV subsidiaries), makes KBC Group one of the larger financial groups in the Central & Eastern European region. The KBC Bank Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, insurance products (in co-operation with KBC Insurance's subsidiaries in each country) and other specialised financial banking products and services. Just as in Belgium, the bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the internet.

KBC Group's bank-insurance concept has over the past few years been exported to its 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 (via KBC Insurance). KBC Group has an insurance business in every Central and Eastern European home country: in the Czech Republic, the Group's insurer is ČSOB Pojist'ovňa, in Slovakia, ČSOB Poist'ovňa, in Hungary, K&H Insurance and in Bulgaria, DZI Insurance. Contrary to the situation of KBC Bank in Belgium, KBC Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also via other distribution channels, such as insurance brokers and multi-agents.

The KBC Bank Group's estimated market share (the average of the share of the lending market and the deposit market, see table) came to 19 per cent. in the Czech Republic, 10 per cent. in Slovakia, 9 per cent. in Hungary, and 2 per cent. in Bulgaria (rounded figures). KBC Bank Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 28 per cent. in the Czech

Republic, 7 per cent. in Slovakia, and 17 per cent. in Hungary). The estimated market shares in insurance of KBC Insurance's subsidiaries are (figures for life and non-life insurance, respectively): Czech Republic 6 per cent. and 6 per cent., Slovakia 5 per cent. and 3 per cent., Hungary 3 per cent. and 5 per cent. and Bulgaria 10 per cent and 10 per cent.

In KBC Group's financial reporting, the Czech activities are separated in a single Czech Republic Business Unit, whereas the activities in the other Central and Eastern European countries, together with Ireland (see further) are combined into the International Markets business unit. The Czech Republic Business Unit hence comprises all KBC Group's activities in the Czech Republic, consisting primarily of the activities of the ČSOB group (under the ČSOB, Era, Postal Savings Bank, Hypoteční banka and ČMSS brands), the insurer ČSOB Pojišť'ovna, ČSOB Asset Management and Patria Finance. The International Markets Business Unit comprises the activities conducted by entities in the other (non-Czech) Central and Eastern European core countries, namely ČSOB and ČSOB Poist'ovna in Slovakia, K&H Bank and K&H Insurance in Hungary and CIBank and DZI Insurance in Bulgaria, plus KBC Bank Ireland's Irish operations. The remaining companies whose planned divestment still has to be completed also belong to this business unit, but their results are recognised under the Group Centre until they are sold.

### **Activities in the rest of the world**

A number of companies belonging to KBC Bank Group are also active in, or have outlets in, countries outside the home markets, among which KBC Bank, KBC Lease, KBC IFIMA, KBC Financial Products, KBC Securities, Antwerp Diamond Bank (sale agreement signed), KBC Bank Deutschland (sale agreement signed) and KBC Bank Ireland. See also the list of main companies or full list on [www.kbc.com](http://www.kbc.com).

The loan portfolio of KBC Bank Ireland stood at about EUR 15 billion at the end of 2013, approximately 80% of which relates to mortgage loans. KBC Group set aside EUR 1.1 billion in loan loss provisions for its Irish portfolio in 2013, considerably more than the EUR 0.5 billion in 2012. The additional provisions were recorded in the fourth quarter and resulted from the analysis of the loan portfolio in light of factors such as the European Banking Authority's paper on forbearance and non-performing exposures and the anticipated quality assessment of bank assets in 2014. At the end of 2013, some 26 % of the total Irish loan portfolio was non-performing, compared to 23% at year-end 2012. In addition to the ongoing management of the problem real estate portfolio, the Group started in 2013 to transform and develop KBC in Ireland into an important retail bank. The Group estimates its share of the Irish market in 2013 at 10% for retail mortgage loans and 3% for retail deposits. It caters for around 0.2 million clients there. See also the press release dated 13 February 2013, available on [www.kbc.com](http://www.kbc.com).

In the EU Plan, a large number of companies or activities in the rest of the world were marked for divestment and have meanwhile been sold (mainly KBC Peel Hunt (UK), various activities of KBC Financial Products (various countries), the British and Irish activities of KBC Asset Management, KBC Business Capital (UK), KBC Concord Asset Management (Taiwan), KBC Goldstate (China) and KBC Lease Deutschland (Germany)). Sale agreements for KBC Bank Deutschland and Antwerp Diamond Bank have been signed but still need to be finalised.

## **10. Competition**

All of KBC Bank Group's operations face competition in the sectors they serve.

Depending on the activity, competitor companies include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies, specialised finance companies, asset managers, private bankers, investment companies, etc.

In both Belgium and Central and Eastern Europe, KBC Bank Group has an extensive network of branches and the KBC Group believes most of the companies have a strong name brand recognition in their respective markets.

In Belgium, KBC Bank Group is perceived as belonging to the top three financial institutions (see market shares). For certain products or activities, KBC Bank Group estimates it has a leading position (e.g. in the area of investment funds). The main competitors in Belgium are BNP Paribas Fortis, Belfius and ING, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central and Eastern European home markets, KBC Bank Group is one of the important financial groups, occupying significant positions in banking. In this respect, KBC Bank Group 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 Bank Group's presence mainly consists of a limited number of branches and subsidiaries. In this case, KBC Bank Group faces competition both from local companies and international financial groups.

## 11. Staff

In 2013, KBC Bank Group had, on average on a consolidated basis, about 28,000 employees (full-time or equivalent), the majority of whom were located in Belgium (largely in KBC Bank) and Central and Eastern Europe. In addition to talks at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank Group also works closely with employee associations in other areas. There are various collective labour agreements in force.

## 12. Risk management

Risk management in KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in KBC Group risk management and cannot be seen separately from it.

A description of risk management is available in the 2013 risk report, available on [https://multimediafiles.kbcgroup.eu/ng/published/KBCCOM/PDF/COM\\_BDV\\_pdf\\_Risk\\_Report\\_en.pdf](https://multimediafiles.kbcgroup.eu/ng/published/KBCCOM/PDF/COM_BDV_pdf_Risk_Report_en.pdf).

### **Risk governance and introduction**

Mainly active in banking and asset management, KBC Bank 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 and liquidity risk), operational risk, exposure to emerging markets, changes in regulations and 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 under the Strategic Plan may have a negative impact on asset values or generate additional charges beyond anticipated levels.

Below follows a description of credit risk, market risk (trading and non-trading activities), liquidity risk and operational risk. A selection of figures on credit risk, asset and liability management ("Asset and Liability Management" or "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 arising from the non-payment or non-performance by a contracting party (for instance, a borrower, guarantor, insurer or re-insurer, counterparty in a professional transaction or issuer of a debt instrument), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country

risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk which is the risk for adverse changes in credit ratings.

- Market risk in non-trading activities (also known as Asset and Liability Management) is the process of managing the Group's structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.
- Market risk in trading activities is defined as the potential negative deviation from the expected economic value of a financial instrument caused by fluctuations in market prices, e.g. interest rates, exchange rates or 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, currency and equity risks of the non-trading positions in the banking book are all included in the ALM exposure.
- Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of KBC Bank Group's liquidity management is to be able to fund such needs and to enable the core business activities of KBC Bank Group to continue to generate revenue, even under adverse circumstances.
- 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.

KBC Group's risk governance framework defines the responsibilities and tasks required to manage value creation and the associated risks. During 2010, KBC Group's risk management framework underwent significant changes with regard to governance and structure. The goal of these changes was to further improve KBC Group's ability to deal decisively with major economic events in the future by creating an adjusted and 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 and investment portfolio of KBC Bank Group. A snapshot of this portfolio is shown in the table below.

Loan & investment portfolio of KBC Bank Group\*:

Loan and investment portfolio, banking	31-12-2012 <sup>5</sup>	31-12-2013 <sup>5</sup>
Total loan portfolio (in billions of EUR)		
Amount granted	166.6	161.8
Amount outstanding	140.7	136.5
Loan portfolio breakdown by business unit (as a % of the portfolio of credit outstanding)		
Belgium	63%	64%
Czech Republic	15%	15%
International Markets	19%	19%
Group Centre	3%	3%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of		

## Description of the Guarantor

credit outstanding) <sup>1</sup>		
Private individuals	42%	43%
Financial and insurance services	6%	5%
Governments	4%	4%
Corporates	48%	48%
Non-financial services	11%	11%
Real estate	8%	8%
Retail and wholesale trade	7%	7%
Construction	4%	4%
Automotive	2%	2%
Other <sup>2</sup>	16%	16%
Total	100%	100%
Loan portfolio breakdown by region (as a % of the portfolio of credit outstanding) <sup>1</sup>		
Western Europe	73%	74%
Central and Eastern Europe	22%	22%
North America	2%	2%
Other	2%	2%
Total	100%	100%
Loan portfolio breakdown by risk class <sup>3</sup> (part of the portfolio, as a % of the portfolio of credit outstanding)		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	28%	29%
PD 2 (0.10% – 0.20%)	10%	11%
PD 3 (0.20% – 0.40%)	14%	12%
PD 4 (0.40% – 0.80%)	19%	17%
PD 5 (0.80% – 1.60%)	11%	14%
PD 6 (1.60% – 3.20%)	7%	7%
PD 7 (3.20% – 6.40%)	5%	5%
PD 8 (6.40% – 12.80%)	3%	2%
PD 9 (highest risk, ≥ 12.80%)	4%	3%
Total	100%	100%
Impaired loans <sup>4</sup> (PD 10 + 11 + 12; in millions of EUR or %)		
Impaired loans	10,757	13,717
Specific impairment	4,614	5,451
Portfolio-based impairment (i.e. based on PD 1 to 9)	244	281
Credit cost ratio		
Belgium Business Unit	0.28%	0.37%

## Description of the Guarantor

Czech Republic Business Unit	0.31%	0.25%
International Markets Business Unit	2.26%	4.48%
Ireland	3.34%	6.72%
Slovakia	0.25%	0.60%
Hungary	0.78%	1.50%
Bulgaria	0.94%	1.19%
Group Centre	1.06%	2.90%
Total	0.69%	1.20%
Total (including entities classified as 'disposal groups' under IFRS 5)	0.70%	1.19%
Non-performing loans (PD 11 + 12; in millions of EUR or %)		
Amount outstanding <sup>6</sup>	7,397	7,928
Specific impairment for non-performing loans	3,626	3,894
Non-performing ratio		
Belgium Business Unit	2.3%	2.5%
Czech Republic Business Unit	3.2%	3.0%
International Markets Business Unit	17.6%	19.2%
Group Centre	1.3%	5.9%
Total	5.3%	5.8%
Total (Including entities classified as 'disposal groups' under IFRS 5)	5.3%	5.9%
Cover ratio		
[Specific impairment for non-performing loans]/[outstanding non-performing loans]		
Total	49%	49%
Total (excluding mortgage loans)	63%	60%
[Specific & portfolio-based impairment for performing and non-performing loans]/[outstanding non-performing loans]		
Total	66%	72%
Total (excluding mortgage loans)	91%	90%

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the probability of default (“PD”). An impaired loan is assigned an internal rating ranging from PD 10 to PD 12. PD class 12 is assigned when either one of the obligor’s credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. Class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), yet are still performing and do not meet the criteria for classification as PD 11 or PD 12. In respect of these impaired loans (PD 10 to PD 12), specific loan impairments are recorded under the net present value of the recoverable amount. In addition, a portfolio-based impairment for credit in PD classes 1 to 9 is recognised (based on a formula).

The non-performing ratio is defined as the amount outstanding of non-performing loans (PD 11 and PD 12) divided by the total outstanding loan portfolio. The credit cost ratio is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio.

In line with the new (draft) guidelines on non-performing exposures and forbearance measures laid down by the European Banking Authority, KBC Bank Group has made preparations to adopt the policies on restructured loans and on the definition of default, which are to be implemented in 2014. When a final decision is reached, new/changed criteria will be put in place to define forborne loans and to reclassify PD 10 as 'non-performing' (instead of 'performing' at present).

**Other credit risks:**

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the KBC Bank Group. 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 (this activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and only entails exposure to financial institutions. Risks associated with this activity are managed by setting limits per financial institution and per country or group of countries), 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 securities in the investment portfolio of banking entities. Information on these risks can be found in the 2013 annual report of KBC Bank.

**Structured credit exposure (collateralised debt obligations (“CDOs”) and other asset backed securities (“ABS”)), 31 December 2013**

Since 2008, KBC Group has pursued a tight strategy towards structured credit products and gradually imposed a moratorium on all originating and investment activity CDOs and ABS. Before this time KBC Group acted as an originator of and investor in structured credit transactions and also invested in such structured credit products. The remainder of the CDO and ABS investments from before 2008 are referred to below as 'legacy exposure'. There are three categories of legacy investments.

KBC Group (via 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 outstanding transactions, protection was bought from the US monoline credit insurer (MBIA, see 'Legacy CDO exposure protected MBIA' in the below table).

KBC Group invested in structured credit products, namely in CDOs (notes and super senior tranches),

- largely those originated by KBC Group itself
- in a number of other CDOs (see 'Other legacy CDO exposure' in the table); and
- in other ABS ('see Legacy ABS exposure' in the table).

In 2013, KBC Group decided to lift the strict moratorium on investments in ABS and to allow treasury investments ('treasury ABS exposure' in the table) in liquid high quality non-synthetic European ABS, which are also accepted as eligible collateral for the ECB. This allows a further diversification of the investment portfolios.

Important to note is that the internally imposed ban on CDOs and synthetic securitisations currently continues to exist.



In the table below, the CDO and ABS exposure is presented as net exposure (instead of the original notional amounts as stated in earlier reports). Consequently, all claimed and settled credit events, and all fully de-risked (i.e. riskless) positions have been excluded from the figures for CDOs.

In 2013, there was a total reduction in net legacy CDO and ABS exposure of EUR 7.3 billion, which was mainly due to the de-risking of several CDOs (an impact of EUR-6.8 billion) and some minor redemptions in the other legacy ABS portfolio (an impact of EUR-0.5 billion). In the first quarter of 2014, the net legacy CDO exposure was further reduced by some EUR 2 billion thanks to the continued collapsing of CDO exposures. In KBC Group's treasury portfolio, EUR 45 million was invested in two residential mortgage backed securities ("RMBS") assets over (the fourth quarter of) 2013.

KBC investments in structured credit products (CDOs and ABS), in billions of EUR		31-12-2013
Total net exposure		7.5
<i>Legacy CDO exposure protected with MBIA</i>		5.3
<i>Other legacy CDO exposure</i>		1.1
<i>Legacy ABS exposure</i>		1.2
<i>Treasury ABS exposure</i>		0.0
Cumulative value markdowns on legacy investments (mid 2007 to date) <sup>1</sup>		-0.4
Value markdowns		-0.3
for <i>other legacy CDO exposure</i>		-0.2
for <i>legacy ABS exposure</i>		-0.1
Credit Value Adjustment (CVA) on MBIA cover (related to legacy CDO exposure) <sup>2</sup>		-0.1
Cumulative value markdowns on treasury ABS		0.0

<sup>1</sup> Note that, value adjustments to KBC's CDOs are accounted for via profit or loss instead of directly via shareholders' equity, since the group's CDOs are mostly of a synthetic nature (meaning that the underlying assets are derivative products such as credit default swaps on corporate names). Their synthetic nature is also the reason why KBC's CDOs are not eligible for accounting reclassification under IFRS in order to neutralise their impact.

<sup>2</sup> The provisioning rate for MBIA was reduced from 80% to 60% in mid-2013.

In relation to so-called structured credit products, more information is available in the 2013 annual report of KBC Bank.

### Asset and Liability Management (market risks in non-trading activities)

The table below shows the extent to which the value of the economic portfolio would change ("basis-point-value" or "BPV") if interest rates were to fall by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). More details are available in the 2013 annual report of KBC Bank.

BPV (10 basis points) of the ALM book, banking activities* (in millions of EUR)	2012	2013
Average for 1Q	-52	-33
Average for 2Q	-49	-27
Average for 3Q	-49	-21
Average for 4Q	-47	-22
As at 31 December	-39	-22
Maximum in year	-57	-40
Minimum in year	-39	-21

\* Excluding entities classified 'as disposal groups' under IFRS 5 (see 'Remark' at the start of this section). Including these entities would lead to an overall BPV for the banking activities of EUR -22 million at year-end 2013 and EUR -44 million at year-end 2012.

### Market risk management

KBC Bank Group is exposed to market risk via the trading books of the dealing rooms in Western and Central and Eastern Europe and Asia. The traditional dealing rooms, with the dealing room in Brussels

accounts for the majority of the limits and risks, focus on trading in interest rate instruments, while activity on the FX markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

The table below shows the Historical Value-at-Risk (HVaR; 99 per cent. confidence interval, 1-day holding period, historical simulation) for KBC Bank Group's dealing rooms on the money and capital markets, and for KBC Financial Products. More details are available in the 2013 annual report of KBC Bank.

Market risk (VaR) (in millions of EUR)	10-day HVaR for KBC Bank		10-day HVaR for KBC Financial Products	
	31-12-2012	31-12-2013	31-12-2012	31-12-2013
Holding period 10 days				
Average for 1Q	30	37	12	1
Average for 2Q	34	37	2 <sup>3</sup>	1
Average for 3Q	30	34	2	1
Average for 4Q	30	29	1	-
As at 31 December	37	28	2	-
Maximum in year	39	50	18	5
Minimum in year	23	26	1	0

<sup>1</sup> Change in scope as of 1 March 2012: European equity derivatives moved from KBC Financial Products to KBC Bank.

<sup>2</sup> KBL EPB included until the second quarter of 2012.

<sup>3</sup> Large decrease in the use of average HVaR at KBC Financial Products, due to simplification of the credit event settlement process.

### Liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses.

The principal objective of our liquidity management is to be able to fund the group and to enable the core business activities of the group to continue to generate revenue, even under adverse circumstances. Since the financial crisis, there has been a greater focus on liquidity risk management throughout the industry and this has been intensified by the minimum liquidity standards defined by the Basel Committee.

KBC Bank continues to incorporate these Basel III concepts into its liquidity and funding framework, as well as into its financial planning.

### Managing liquidity risk

On the level of KBC Group, a Liquidity Risk Management Framework is in place defining the liquidity risk playing field.

Liquidity management itself is organised within the Group Treasury function, which acts as a first line of defence and is responsible for the overall liquidity and funding management of the KBC Group. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. Next to that, Group Treasury actively monitors its collateral on a group wide basis and is responsible for drafting the liquidity contingency plan that sets out the strategies for addressing liquidity shortfalls in emergency situations.

The risk department, in its role of second line of defence, consists of the Group Chief Risk Officer ("Group CRO"), local Chief Risk Officers ("CROs") and group and local risk functions. Among other things, the task of the risk function consists of monitoring risks at a portfolio/entity level, development of

risk measurements, development of frameworks and advising and reporting on issues handled by the Group and local ExCo/Risk Committees.

Finally, the third line of defence is the audit function, responsible for auditing the efficiency and the effectiveness of the risk management system and its compliance with the risk management framework, as well as the way in which line management handles risks outside this formal framework.

The liquidity management framework and group liquidity limits are set by the Group Exco and Board of Directors. By approving the framework, a risk appetite choice is made as the framework describes which measures are subject to limits. Deciding which maximum or minimum values are set on the different measures is done within the financial planning process.

Our liquidity risk management framework is based on the following pillars:

- *Contingency liquidity risk.* This risk is assessed on the basis of liquidity stress tests, which measure how the liquidity buffer of the Group's bank entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows (retail customer behaviour, professional client behaviour, drawing of committed credit lines, etc.) and liquidity inflows resulting from actions to increase liquidity ('repo-ing' the bond portfolio, reducing unsecured interbank lending, etc.). The liquidity buffer has to be sufficient to cover liquidity needs (net cash and collateral outflows) over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. The overall aim of the liquidity framework is to remain sufficiently liquid in stress situations, without resorting to liquidity-enhancing actions which would entail significant costs or which would interfere with the core banking business of the Group.
- *Structural liquidity risk.* The Group manages its funding structure so as to maintain substantial diversification, to minimise funding concentrations in time buckets and to limit the level of reliance on short-term wholesale funding. The Group manages its structural funding position as part of the integrated strategic planning process, where funding – in addition to capital, profits and risks – is one of the key elements. At present, the strategic aim for the next few years is to build up a sufficient buffer in terms of the Basel III Liquidity Cover Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") requirements via a funding management framework, which sets clear funding targets for the subsidiaries (own funding, reliance on intra-group funding) and provides further incentives via a system of intra-group pricing to the extent subsidiaries run a funding mismatch.

In the table below, the structural liquidity risk is illustrated by grouping the assets and liabilities according to the remaining term to maturity (contractual maturity date). The difference between the cash inflows and outflows is referred to as the 'net funding gap'. At year-end 2013, KBC had attracted EUR 25 billion worth of funding on a gross basis from the professional interbank and repo markets.

- *Operational liquidity risk.* Operational liquidity management is conducted in the treasury departments, based on estimated funding requirements. Group-wide trends in funding liquidity and funding needs are monitored on a daily basis by the Group Treasury function, ensuring that a sufficient buffer is available at all times to deal with extreme liquidity events in which no wholesale funding can be rolled over.

## **Maturity analysis**

## Description of the Guarantor

Liquidity risk at year-end (excluding intercompany deals)* (in billions of EUR)	<= 1 month	1-3 months	3-12 months	1-5 years	5-10 years	> 10 years	on demand	not defined	Total
<b>31-12-2012</b>									
Total inflows	29	12	17	50	44	34	0	39	225
Total outflows	31	20	14	36	5	1	79	39	225
Professional funding	13	12	2	1	0	0	0	0	29
Customer funding	13	5	7	15	4	1	79	0	124
Debt certificates	1	4	4	20	1	1	0	1	32
Other	3	0	0	0	0	0	0	38	40
Liquidity gap (excl. undrawn commitments)	-2	-8	2	15	39	33	-79	1	0
Undrawn commitments	-	-	-	-	-	-	-	-28	-
Financial guarantees	-	-	-	-	-	-	-	-11	-
Net funding gap (incl. undrawn commitments)	-2	-8	2	15	39	33	-79	-38	-39
<b>31-12-2013</b>									
Total inflows	17	10	18	53	42	34	0	32	205
Total outflows	27	11	20	29	7	2	84	25	205
Professional funding	17	2	2	1	0	0	1	1	25
Customer funding	7	6	12	13	3	1	83	0	126
Debt certificates	0	4	6	15	3	1	0	0	29
Other	2	0	0	0	0	0	0	23	25
Liquidity gap (excl. undrawn commitments)	-10	-2	-2	24	35	32	-84	7	0
Undrawn commitments	-	-	-	-	-	-	-	-25	-
Financial guarantees	-	-	-	-	-	-	-	-10	-
Net funding gap (incl. undrawn commitments)	-10	-2	-2	24	35	32	-84	-28	-35

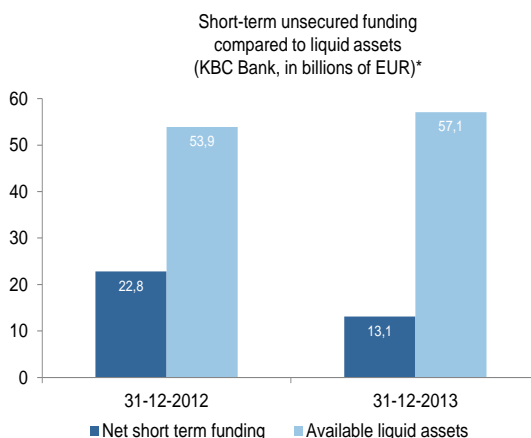
\* Cashflows exclude interest rate flows consistent with internal and regulatory liquidity reporting. Inflows/outflows that arise from margin calls posted/received for MtM positions in derivatives are reported in the 'not defined' bucket. Entities classified as 'disposal groups' under IFRS 5 (see 'Remark' at the start of this section) have also been excluded (balance sheet total of EUR 3.9 billion for 2013). 'Professional funding' includes all deposits from credit institutions and investment firms, as well as all repos. In the table, instruments are classified based on their first callable date. Some instruments are reported at fair value (on a discounted basis) whereas other instruments are reported on an undiscounted basis (in order to make a reconciliation with note 14 of the consolidated financial statements possible). Due to the uncertain nature of the maturity profile of undrawn commitments and financial guarantees, these instruments are reported in the 'not defined' bucket. The category 'other' under 'Total outflows' contains 'own equity, short positions, provisions for risks and charges, tax liabilities and other liabilities.

As is typical for a banking group, funding sources generally have a shorter maturity than the assets that are funded, leading to a negative net liquidity gap in the shorter time buckets and positive net liquidity gap in the longer term buckets. This creates liquidity risk if the Group would be unable to renew maturing short-term funding. Our liquidity framework imposes a funding strategy to ensure that the liquidity risk remains within the Group's risk appetite.

### Liquid asset buffer

KBC Bank has a solid liquidity position. Historically, KBC Bank has always had a substantial amount of liquid assets. At year-end 2013, KBC Bank (at the consolidated level) had EUR 57.1 billion unencumbered central bank eligible assets, EUR 33.5 billion of which in the form of liquid government bonds (59%). The remaining available liquid assets at end 2013 concern other ECB/FED eligible bonds (29%) and pledgeable credit claims (12%). Of all liquid assets, most are expressed in EUR, CZK and HUF (all home market currencies).

The unencumbered liquid assets were more than four times the net recourse to short-term wholesale funding, while funding from non-wholesale markets was accounted for by stable funding from core customer segments in our core markets. The liquid asset buffer at year-end is presented in the below graph.



\* Excluding divestments that have not yet been completed. Available liquid assets are derived from the treasury management report.

### Funding information

KBC Bank continues to have a strong retail/mid-cap deposit base in its core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core customer segments and markets.

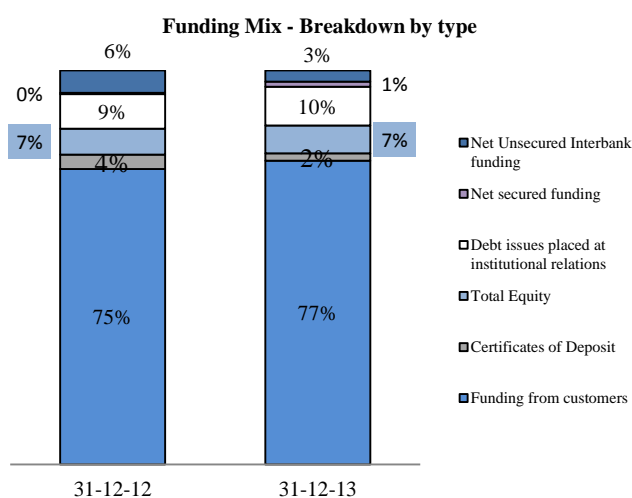
KBC Bank's funding mix can be broken down as follows (figures relate to 31 December 2013):

- funding from customers (EUR 134.4 billion, 77% of the total figure), consisting of demand deposits, time deposits, savings deposits, other deposits, saving certificates and debt issues placed in the network. Some 61% of the funding from customers relates to private persons and SME's;
- debt issues placed with institutional investors (EUR 17.2 billion, 10% of the total figure), mainly comprising debt issues by the Issuer (EUR 12.4 billion), covered bonds (EUR 3.9 billion) and the contingent capital notes issued in January 2013 (EUR 0.75 billion).
- net unsecured interbank funding (EUR 4.9 billion, 3% of the total figure)
- net secured funding (EUR 2.3 billion, 1% of the total figure and certificates of deposit (EUR 3.2 billion, 2% of the total figure); and
- total equity (EUR 12.3 billion, 7% of the total figure).

Please note that:

- KBC Bank Group recorded continuous solid growth in customer deposits at different entities, especially in Ireland, where concerted efforts to build a retail deposit base have helped increase KBC Bank Ireland's funding independence. Deposits from customers in KBC Ireland increased from EUR 2.7 billion at year-end 2012 to EUR 3.5 billion at year-end 2013.

- During 2013, KBC Bank raised EUR 1.1 billion in long-term funding under its EMTN programme, of which EUR 0.75 billion was raised through wholesale benchmark issues.
- In November 2012, KBC Bank established a Belgian residential mortgage covered bonds programme. This EUR 10-billion- programme was set up following the entry into force of the Belgian law of 3 August 2012 that established a legal framework for Belgian covered bonds. This new bond programme gives KBC Bank Group access to the covered bond market, allowing it to diversify its funding structure and reduce the cost of long-term funding. At the start of December 2012, KBC Bank launched a first covered bond issue for an amount of EUR 1.25 billion. More issues followed in 2013 for a total of EUR 2.67 billion.
- In 2013, KBC Group also repaid EUR 8.3 billion borrowed from the ECB under the long-term refinancing operations (“LTROs”), given the substantially improved condition of the wholesale funding market and KBC Group’s solid liquidity position.



### LCR and NSFR

Both the LCR and the NSFR are defined in the ‘Glossary of ratios used’. At year-end 2013, KBC Group’s NSFR stood at 111% and its LCR at 131%, both calculated based on its own interpretation of current Basel Committee guidance. This is well above the minimum regulatory requirements and KBC Group’s own targets of 105% and 100% for 2015, respectively.

### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks include the risk of fraud and legal, compliance and tax risks.

More information on legal disputes can be found in note 31 of the ‘Consolidated financial statements’ section of the consolidated financial statements of KBC Bank.

### Managing operational risk

We have a single, global framework for managing operational risk across the entire group. It consists of a uniform operational risk language embedded in group-wide key controls, one methodology, one set of centrally developed ICT applications and centralised and decentralised reporting.

The Group's risk function is primarily responsible for defining the operational risk management framework for the entire group. The development and implementation of this framework is supported by an extensive operational risk governance model covering all entities of the group. This framework was redesigned in 2012 in line with the KBC Risk Management Framework and will gradually be implemented (with full implementation in 2014).

The Group risk function creates an environment where risk specialists (in various areas, including information risk management, business continuity and disaster recovery, compliance, anti-fraud, legal, tax and accounting matters) can work together (setting priorities, using the same language and tools, uniform reporting, etc.). It is assisted by the local value and risk management units, which are likewise independent of the business.

### **The building blocks for managing operational risks**

We use a number of building blocks for managing operational risks, which cover all aspects of operational risk management.

Between 2011 and 2015, specific attention is being given to the structured set-up of process-based Group Key Controls, which will gradually replace the former Group Standards. These Controls are policies containing top-down basic control objectives and are used to mitigate key and killer risks inherent in the processes of KBC entities. As such, they are an essential building block of both the operational risk management framework and the internal control system. The Controls for KBC Group are set out below:

- A first set was approved in 2011 for the Credit, Life, Non-life, Personal Financial Advice, Legal, Tax, Business Continuity Management and Risk & Capital Management processes.
- A second set was approved in 2012 for the Cash, Current Account, Savings Account, Lease, Trading and Sales (part 1), Portfolio Management, Customer Administration, Human Resources, Corporate Communication and Accounting and External Financial Reporting processes.
- A third set was approved in 2013 for the Balance Sheet Management, Collections (Cheque and Direct Debits), Corporate Governance, Custody, Distribution of Customer Information Output, Funds Transfer, Information Security, Marketing: Commercial Communication, Marketing: New and Active Product Process, Reinsurance, Fixed-Term Savings Products, Retail Brokerage and Information Technology processes.

The business and (local) control functions assess these Group Key Controls. The risk self-assessments are consolidated at the Group risk function and ensure that there is a consistent relationship between (i) processes, (ii) risks, (iii) control activities, and (iv) assessment scores. KBC Group created an objective management tool to evaluate its internal control environment and to benchmark the approach across its entities. Each year, the Group reports the assessment results to the National Bank of Belgium in its Internal Control Statement.

Besides these Group Key Controls, there are a number of other building blocks:

- *The Loss Event Database.* All operational losses of EUR 1,000 or more have been recorded in a central database since 2004. This database also includes all legal claims filed against Group companies. Consolidated loss reports are regularly submitted to the Group Internal Control Committee, the Group Executive Committee and the ARC Committee.
- *Risk Scans (bottom-up and top-down).* These *self-assessments* focus on the identification of key operational risks at critical points in the process/organisation that are not properly mitigated and on new or emerging operational risks that are relevant at (sub)group level.

- *Case-Study Assessments*. These are used to test the effectiveness of the protection afforded by existing controls against major operational risks that have actually occurred elsewhere in the financial sector. Case studies are discussed on a quarterly basis in the Group Internal Control Committee.
- *Key Risk Indicators (“KRIs”)*. A limited set of KRIs are used to monitor the exposure to certain operational risks and track the existence and effectiveness of the internal controls.

The quality of the internal control environment and related risk exposure as identified, assessed and managed by means of these building blocks is reported to KBC Group’s senior management via a management dashboard and to the National Bank of Belgium and the FSMA via the annual Internal Control Statement. Information on the internal control and risk management systems can be found in the ‘Corporate governance statement’ section.

### **Operational risk and regulatory capital requirements**

KBC uses the Standard Approach to calculate operational risk capital under Basel II. Operational risk capital for KBC Bank at the consolidated level totalled EUR 847 million at the end of 2013, compared to EUR 884 million at the end of 2012.

### **Other non-financial risks**

#### *Reputation risk*

This is the risk arising from the negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a financial institution’s ability to maintain existing, or establish new business relationships and to have continued access to sources of funding (for instance, through the interbank or securitisation markets). Reputation risk is a secondary or derivative risk since it is mostly connected to and will materialise together with another risk.

The Group redesigned the Reputation Risk Management Framework in 2012, in line with the KBC Risk Management Framework. The pro-active and re-active management of reputation risk is the responsibility of the business, supported by many specialist units (e.g., Group Communication and Investor Relations).

Under the pillar 2 approach to capital adequacy, the impact of reputation risk on the current business is covered in the first place by the capital charge for primary risks (such as credit or operational risk, etc.). It is also covered by the capital reserved for business risk.

#### *Business Risk*

Business risk is the risk arising from changes in external factors that impact the demand for and/or profitability of our products and services.

Risk factors that are taken into consideration include the macro-economic environment, the regulatory framework, client behaviour, the competitive landscape and the socio-demographic environment. Business risk is assessed on the basis of structured risk scans.

KBC reserves a pillar 2 capital charge specifically for business risk. Business risk capital is based on the operating expenses for the various KBC group entities. The portion of operating expenses to be set aside as economic capital for business risk depends on the level of risk attached to the activities of each entity, as determined on the basis of quantitative and qualitative assessments of activities across the Group entities.

## **13. Banking supervision and regulation**



## Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed and comprehensive regulation in Belgium, and is supervised by the NBB, the Belgian central bank, acting as the supervisory authority for prudential supervision of financial institutions.

The remaining supervisory powers previously exercised by the Banking, Finance and Insurance Commission (the “CBFA”) are now exercised by the Financial Services and Markets Authority. This autonomous public agency is in charge of supervision with regard to conduct of business rules for financial institutions and financial market supervision.

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 Banking Law. The Banking Law replaces the Law on the Legal Status and Supervision of Credit Institutions of 22 March 1993 and implements various EU directives, including (without limitation) CRD IV and RRD. CRR is directly applicable from 1 January 2014, subject to further implementation and phased introduction of certain provisions, set out therein.

The Banking Law sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the NBB. The main objectives of the Banking Law are to strengthen the capital structure and liquidity of credit institutions and the stability of the Belgian banking system in general, and to protect the deposits of savers. Supervision of credit institutions

- (1) All Belgian credit institutions must obtain a license from the NBB before they may commence operations. In order to obtain a license and maintain it, each credit institution must fulfil 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 NBB 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 NBB 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 NBB is required each time a person intends to acquire shares in a credit institution, resulting either in the direct or indirect ownership of a qualified holding of the capital or voting rights (i.e. 10 per cent. or more), or in an increase of such qualified holding thereby attaining or surpassing 20 per cent., 30 per cent. or 50 per cent., 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 NBB thereof. The Belgian credit institution itself is obliged to notify the NBB 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 NBB thereof within 10 working days.

- (2) The Banking Law requires credit institutions to provide detailed periodic financial information to the NBB and, under certain circumstances, the FSMA. The NBB also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. The NBB sets the minimum capital adequacy ratios applicable to credit institutions. The NBB 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, and the publication of this information. Pursuant to the Banking Law, the NBB may, in order to exercise its prudential supervision, require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the NBB supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. The NBB may supplement these communications and controls by on-site inspections. The NBB also exercises its comprehensive supervision of credit institutions through Statutory Auditors who cooperate with the NBB in its prudential supervision. A credit institution selects its Statutory Auditor from the list of auditors or audit firms accredited by the NBB. Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls.
- (3) The Banking Law introduces a prohibition in principle on proprietary trading as from 1 January 2015. However, some proprietary trading activities are excluded from this prohibition. Permitted proprietary trading activities (including certain market-making, hedging, treasury management, and long-term investments) are capped, and these type of activities must comply with strict requirements on reporting, internal governance and risk management.
- (4) The Banking Law establishes a range of instruments to tackle potential crises of credit institutions at three stages:
  - (a) Preparation and prevention
 

Credit institutions have to draw up recovery plans and update them annually, setting out the measures they would take to restore their financial position in the event of a significant deterioration. In its review of the recovery plan, the NBB pays particular attention to the adequacy of the capital and financing structure of the institution in relation to the degree of complexity of its organisation and its risk profile.

The Resolution College of the NBB will have to prepare a resolution plan for each credit institution, laying out the actions it might take if it were to meet the conditions for resolution. If the Resolution College identifies obstacles to resolvability during the course of this planning process, it can require a credit institution to take appropriate measures, including changes to corporate and legal structures.
  - (b) Early intervention
 

The NBB disposes of a set of powers to intervene if a credit institution faces financial distress (e.g. when a credit institution is not operating in accordance with the provisions of the Banking Law or CRD IV), but before its financial situation deteriorates irreparably. These powers include the ability to dismiss the management and appoint a special commissioner, to convene a meeting of shareholders to adopt urgent reforms, to suspend or prohibit all or part of the credit institution's activities (including a partial or complete

suspension of the execution of current contracts), to order the disposal of all or part of the credit institution's shareholdings, and finally, to revoke the license of the credit institution.

(c) Resolution

- If (i) the NBB or the Resolution College determines that a credit institution is failing or is likely to fail, (ii) all other private sector or supervisory intervention measures have been proved to be insufficient to restore the bank to viability and (iii) resolving the credit institution would be better from a public interest perspective than winding up the institution, the Resolution College can take resolution measures. The resolution tools are: (i) the sale of (a part of) the assets/liabilities or the shares of the credit institution without the consent of shareholders, (ii) the transfer of business to a temporary structure ("bridge bank") and (iii) the separation of clean and toxic assets and the transfer of toxic assets to an asset management vehicle. Each decision will be subject to prior judicial control.

The fourth resolution tool, i.e. the bail-in tool, will enter into force in January 2016. It is a mechanism to write down the liabilities (subordinated debt, senior debt and eligible deposits) or to convert debt into equity, as a means of restoring the institution's capital position. Although it will only enter into force on 1 January 2016, the bail-in tool is important to mention because it will apply to existing debt instruments.

- The Resolution College is also empowered (and in certain circumstances required) to write down or convert capital instruments (such as Common Equity Tier 1-, Additional Tier 1- and Tier 2-instruments), before or together with the use of any resolution tools, if it determines that a credit institution will no longer be viable if no measures are taken, that the resolution conditions are fulfilled and/or that a credit institution has asked for public support.
- The applicability of the resolution tools and measures to credit institutions that are part of a cross-border group will be regulated by Royal Decree.

- (5) Pursuant to Regulation (EU) n° 1024/2013 of 15 October 2013 conferring specific tasks to the European Central Bank concerning policies relating to the prudential supervision of credit institutions, the European Central Bank will be the supervisory authority of KBC Bank (and KBC Group) as from 4 November 2014. The supervisory powers conferred to the ECB will include, among other, the granting and withdrawal of authorisations to and from credit institutions, the assessment of acquisitions and disposals of qualifying holdings in credit institutions, ensuring compliance with the rules on equity, liquidity, statutory ratios and conducting stress tests for credit institutions.

In similar vein, pursuant to the Single Resolution Mechanism, a new to-be-established Resolution Board will replace national resolution authorities (such as the NBB) as the resolution decision-making authority (in relation to credit institutions falling within the scope of the SSM, such as KBC Bank (and KBC Group)).

Pursuant to Regulation (EU) n° 468/2014 of 16 April 2014 establishing a framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities, joint supervisory teams will be established for the supervision of significant supervised entities, such as KBC Bank (and KBC Group). These teams will be composed of staff members

from the ECB and from the national supervisory authorities (in casu the NBB) and working under the coordination of a designated ECB staff member.

### **Bank governance**

The Banking Law also puts a lot of emphasis on the solid and efficient organisation of credit institutions and introduces to that effect a dual governance structure at management level, specialised advisory committees within the Board of Directors (audit committee, risk committee, remuneration committee and nomination committee), independent control functions, and strict remuneration policies (including limits on the amount of variable remuneration, the form and timing for vesting and payment of variable remuneration, as well as claw-back mechanics).

The Banking Law makes 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 and risk policy, which is entrusted to the Board of Directors. According to the Banking Law KBC Bank has an Executive Committee of which each member is also a member of the Board of Directors.

Pursuant to the Banking Law, the members of the Executive Committee and the Board of Directors need to permanently have the required professional reliability and appropriate experience. The same goes for the responsible persons of the independent control functions. The fit and proper standards have been further elaborated by the NBB in a circular of 17 June 2013.

The circular of 30 March 2007 regarding prudential expectations with regard to corporate governance (the "Circular Corporate Governance") contains recommendations to assure the autonomy of the banking function, the organisation of the independent control functions and the proper governance of the credit institution.

As required by the Banking Law and the Circular Corporate Governance, KBC has drafted a Group Internal Governance Memorandum (the "Governance Memorandum"), which sets out the corporate governance policy applying to KBC Group and its subsidiaries and of which the governance memorandum of KBC Bank forms part. The corporate governance policy of a credit institution must meet the principles set out in the law and the Circular Corporate Governance. After the approval in 2008 and 2010 of previous versions, the most recent version of the Governance Memorandum was approved in December 2013 by the Board of Directors of KBC Group, KBC Bank and KBC Insurance and has been sent to the NBB.

KBC Bank has also a Corporate Governance Charter which has been published on the website [www.kbc.com](http://www.kbc.com).

### **Solvency supervision**

Capital requirements and capital adequacy ratios are provided for in the Regulation (EU) n° 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, transposing the Basel III regulation into European law. CRR is directly applicable from 1 January 2014, subject to further implementation and phased introduction of certain provisions, set out therein. CRR requires that credit institutions must comply with several minimum solvency ratios. These ratios are defined as Common Equity Tier 1, Tier 1 or Total capital divided by risk weighted assets. The absolute minimum is a Common Equity Tier 1 ratio of 4.5%. Risk weighted assets are the sum of all assets and off-balance sheet items weighted according to the degree of credit risk that is inherent in it. The solvency ratios 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. On top of the capital requirements

defined by the solvency ratios, the regulation imposes a capital conservation buffer and, in certain cases a systemic risk buffer and/or a countercyclical buffer.

Solvency is also limited by the leverage ratio, which compares Tier 1 capital to non-risk weighted assets.

The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements when capital ratios fall below certain thresholds. The pay-out is further limited by the general provisions of Belgian company law.

### **Large exposure supervision**

European regulations 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. European regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

### **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 11 January 1993 (as amended from time to time). 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. This 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 Belgian Prudential Supervisor 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 5 years and/or a penalty of a minimum of EUR 26 and a maximum of EUR 100,000 (to be increased with the additional penalty, or - in other words - to be multiplied by 6).

### **Consolidated supervision – supplementary supervision**

KBC Bank is subject to consolidated supervision on the basis of the consolidated financial situation of KBC Group, which covers among other things solvency as described above, pursuant to Articles 165 and following of the Banking Law. As a subsidiary of a mixed financial holding company (KBC Group NV) and part of a financial conglomerate, KBC Bank is also subject to the supplementary supervision of the NBB, according to Directive 2011/89/EU of 16 November 2011 amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate (implemented in Articles 185 and following of the Banking Law). The supplementary supervision relates to, among other things, solvency, risk concentration and intra-group transactions.

The consolidated supervision and the supplementary supervision will be aligned as much as possible.

As mentioned above, a specific range of supervisory tasks in relation to the prudential supervision of Eurozone banks, amongst which KBC Bank, will be transferred to the ECB. The ECB will also perform these tasks at the level of the Group.

### **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 FSMA.

The UCITS-management company regime in Belgium is governed by the “Law on certain forms of collective management of investment portfolios” of 3 August 2012 (“Act of 3 August 2012”). The Act of 3 August 2012 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS, as amended from time to time. This Act regulates management companies and sets forth the conditions under which UCITS-management companies may operate in Belgium; furthermore, it defines the regulatory and supervisory powers of the FSMA.

The regulatory framework concerning supervision on UCITS-management companies is mostly similar to the regulation applicable to investment firms. The Act of 3 August 2012 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 they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodic basis, a detailed financial statement to the FSMA;
- supervision by the FSMA; and
- subjection to the control of Statutory Auditors.

### **Capital transactions and guarantee agreements with the government in 2008 and 2009**

In order to maintain its capital base at a sufficiently high level, KBC Group in 2008 and 2009 issued EUR 3.5 billion worth of capital securities to each of the Belgian State and the Flemish Region. In addition it was agreed with the Belgian State that it provide a guarantee relating to (originally) EUR 20 billion of CDO and MBIA-related risk.

### **The EUR 7 billion core capital securities subscribed by the Belgian State and Flemish Region of Belgium**

Since the end of 2008, KBC Group has issued EUR 7 billion of perpetual, non-transferable core-capital instruments with no voting rights, which rank equally with ordinary shares upon liquidation, to the Belgian State (the Federale Participatie- en Investeringsmaatschappij) and the Flemish Region of Belgium (EUR 3.5 billion each). The transaction with the Belgian State was concluded in December 2008 and 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 Lawivities by in total EUR 5.5 billion via ordinary capital increases in KBC Bank and to increase the solvency margin of its insurance activities by EUR 1.5 billion (via ordinary capital increases in KBC Insurance NV). The other features of these transactions are described in the 2012 Annual Report of KBC Bank.

In 2012, KBC Group repaid EUR 3.5 billion (plus a 15% penalty) to the Belgian State (EUR 0.5 billion in the beginning of the year, EUR 3.0 billion at the end). Furthermore, KBC Group repaid EUR 1.5 billion (plus a 50% penalty) to the Flemish Region of Belgium by way of two accelerated payments (EUR 1.17

billion in July 2013, EUR 0.33 billion in January 2014). The agreement with the European Commission involves repaying the outstanding balance of EUR 2 billion between 2015 and 2020 in six equal instalments of EUR 0.33 billion (plus penalty), with each repayment being made before 31 December of the relevant year. However, KBC Group may opt to further accelerate these repayments, if its capital position so allows and the National Bank of Belgium grants its approval.

**The Guarantee Agreement relating to (originally) EUR 20 billion of CDO and MBIA-related risk**

In May 2009, KBC Group reached an agreement with the Belgian State regarding a guarantee arrangement for a substantial part of its structured credit exposure. In brief and simplified, the guarantee relates to an original notional amount of EUR 20 billion for the whole KBC Group (EUR 3.8 billion net exposure as at 31 March 2014), comprising a notional amount of EUR 5.5 billion of super senior CDO investments and EUR 14.4 billion of counterparty risk on MBIA (the U.S. monoline insurer). For payment of a fee, a guarantee from the State was bought covering 90 per cent. of the default risk beyond a set first loss. The original figures have meanwhile changed (due to a decrease in CDO-exposure); this is reflected in the structure of the guarantee transaction as set out below ('currently' meaning as at the end of March 2014). Note that the CDO portfolio consists of several CDOs; the guarantee structure applies to each CDO; the mentioned figures refer to the aggregate notional amount at risk of all CDOs to which the guarantee relates:

- First Tranche of originally EUR 3.2 billion (currently EUR 0.5 billion): credit losses to be borne by KBC Group.
- Second Tranche of originally EUR 2 billion (currently EUR 0.4 billion): credit losses to be borne by KBC Group. KBC Group can ask the Belgian State to subscribe to new KBC Group shares at market value, for an amount equalling 90 per cent. of the loss in this tranche (10 per cent. of the risk to be retained by KBC Group).
- Third Tranche of originally EUR 14.8 billion (currently EUR 2.9 billion): credit losses of 90 per cent. to be compensated for by the Belgian State in cash (10 per cent. of the loss to be retained by KBC Group).

As a result, the potential negative impact from the MBIA- and CDO-exposure is significantly reduced.

On 20 December 2012, the KBC Group and the Belgian State reached an agreement on a review of the CDO guarantee agreement. Additional clauses have been added which grant KBC Group a conditional discount on the outstanding premiums (under certain strict conditions and limited to a pre-determined maximum amount), i.e. an incentive to significantly reduce its government exposure. Any future impact on KBC Group's results will depend on market conditions and opportunities that arise going forward.

**14. Material contracts**

Except as stated below, KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of KBC Bank Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Noteholders.

KBC Group has concluded certain transactions 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 Group's structured credit exposure. As summarised in paragraph 13 above ("*Capital Transactions and Guarantee Agreements with the Government in 2008 and 2009*").

**15. Recent events**

Information about recent events in relation to the Guarantor can be found in the following sections: “2. The EU Plan of KBC Group”, “3. The strategic plan of KBC Group beyond 2013”, “4. Management structure”, “5. Short presentation of KBC Bank Group”, “8. General description of activities of KBC Bank Group”, “9. Principal markets and activities”, “12. Risk management”, “13. Banking supervision and regulation” and “20. Litigation”.

Detailed information is set out in KBC Group’s and KBC Bank’s press releases and financial reports, all of which are available on [www.kbc.com](http://www.kbc.com). For the avoidance of doubt, the information available on the KBC website, [www.kbc.com](http://www.kbc.com), shall not be incorporated by reference in, or form part of, this prospectus, unless otherwise specified in the “Documents Incorporated By Reference” section.

## **16. Trend Information - International economic environment**

The latest economic indicators point towards a continuation of the economic recovery, as reflected by e.g. the German Ifo-indicator. Economic data in other Eurozone economies are also pointing towards improving growth performances, suggesting that the recovery in the Eurozone becomes increasingly broad-based. Moreover, the European business cycle will probably receive some extra support from a more growth-neutral fiscal policy. KBC Bank Group’s home markets also benefit from this economic recovery, in many cases led by the stronger export dynamics.

Against the background of a further, albeit moderate, improvement of the Eurozone growth dynamic, the risk of a new round of Euro-crisis has diminished as well. Intra-EMU sovereign yield spreads have been falling significantly in recent months. In part, this is still the favourable result of the ECB’S Outright Monetary Transactions programme of mid-2012, in which the ECB promised to do ‘whatever it takes’ to save the Eurozone and if necessary to buy unlimited amounts of sovereign debt. Apart from that, the recent political progress towards a more genuine banking union also played a crucial part by severing the potentially dangerous link between banks and their national sovereign. More specifically, the ongoing Asset Quality Review and stress tests by the ECB and the EBA are helping to improve transparency about the financial health of the European banking sector, while the ECB will ensure a uniform implementation of rules as single supervisor as of November 2014. Moreover, the recent agreement on the Single Resolution Mechanism ensures that a possible bank resolution is dealt with on a European rather than a national financial level.

This relatively favourable economic European trend is part of a more global resumption of the economic recovery. In the US, producer confidence improved again, while job creation, which is critically important to support consumption growth, is again at levels comparable to those just before the severe winter started. The Japanese economy has been benefiting from the expansionary policies known as ‘Abenomics’, and is also digesting the recent VAT rate hike rather well. The latest Chinese economic data, however, suggest some growth moderation reflecting the difficulty of policy makers to restrain investment growth and sufficiently stimulate private consumption growth. In the other emerging markets, a relative calm has returned since the fear of an imminent start of a rate hiking cycle by the US Fed has faded somewhat. Since some underlying issues are still present, a number of Emerging Markets remain vulnerable. Apart from that, political conflicts such as in Venezuela, Thailand and in particular in Ukraine remain unsolved.

## **17. 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 KBC Bank, with exception of those powers of which, pursuant to the law and the Articles of Association, solely another body is empowered to perform.



The corporate objects of KBC Bank are set out in Article 2 of its Articles of Association. They include 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 and all acts that contribute directly or indirectly thereto.

KBC Bank complies with the laws and regulations of Belgium regarding corporate governance, to the extent these laws and regulations apply to KBC Bank.

Pursuant to Article 24 of the Banking Law, and Article 524bis of the Companies Code, the Board of Directors of KBC Bank has conferred powers on the Executive Committee to perform the acts referred to in Article 522 of the Companies Code and Article 18 of the Articles of Association of KBC Bank. However, this transfer of powers relates neither to the definition of general policy, nor to the powers which are reserved to the Board of Directors by law. The Board of Directors is responsible for the 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:

<b>Name and business address</b>	<b>Position</b>	<b>Expiry date of current term of office</b>	<b>External offices</b>
LEYSEN Thomas Dennenlaan 9a Antwerpen 2020	Chairman	2015	Chairman of the Board of Directors of Umicore NV Member of Supervisory Board Bank Metzler seel. Sohn & Co Chairman of the Board of Directors of Corelio NV Non-executive Director of De Vijver NV Executive Director of Mediacore NV Executive Director of Booischoot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Groep NV Member of the Board of Directors of KBC Securities NV Chairman of the Board of Directors of Maxcore NV Member of the Board of Directors of Mediahuis NV
GIJSENS Lucien KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2015	Member of the Executive Committee of KBC Groep NV Executive Director of KBC Verzekeringen NV Non-executive Director of KBC Bank Deutschland AG Non-executive Director of KBC Securities NV Non-executive director of KBC Asset Management NV Chairman of the Board of Directors of Antwerpse Diamantbank NV
HOLLOWS John	Executive Director	2017	Executive Director of KBC Verzekeringen NV Executive Director of KBC Groep NV

## Description of the Guarantor

KBC Bank NV Havenlaan 2 1080 Brussel			CEO (non-director) of ČSOB
POPELIER Luc  KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2017	Executive Director of KBC Verzekeringen NV Executive Director of KBC Groep NV Non-executive Director of KBC Credit Investments NV
THIJS Johan KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2017	Executive Director of KBC Verzekeringen NV Non-executive Director Febelfin Executive Director of KBC Groep NV Non-executive Director of VOKA
VAN RIJSSEGHEM Christine KBC Bank NV Havenlaan 2 1080 Brussel	Executive Director	2018	Executive Director KBC Groep NV Executive Director KBC Verzekeringen NV
ARISS Nabil	Non-executive Director	2018	-
DEPICKERE Franky Cera Philipssite 5/10 3001 Leuven	Non-executive Director	2015	Executive Director of Almancora Beheersmaatschappij NV Executive Director of FWR Consult cvba Executive Director of Cera cvba Non-executive Director of MIKO NV Executive Director of Cera Beheersmaatschappij NV Non-executive Director of International Raiffeisen Union e.V. Non-executive Director CBC BANQUE SA Non-executive Director of KBC Groep NV Non-executive Director of Almancora VZW Non-executive Director of Euro Pool System International BV Non-executive Director of KBC Verzekeringen NV
DISCRY Luc Cera Philipssite 5 B 10 3001 Leuven	Non-executive Director	2018	Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Groep NV Executive Director of Almancora Beheersmaatschappij NV Non-executive Director of Precura Verzekeringen NV
VANTHEMSCHE Pieter MRBB Diestsevest 40 3000 Leuven	Non-executive Director	2015	Non-executive Director of Gimv-Agri+ Investment Fund Non-executive Director of KBC Groep NV Non-executive Director of M.R.B.B. cvba - Maatschappij voor Roerend Bezit van de Boerenbond Non-executive Director of Agri Investment

			Fund NV
			Non-executive Director of KBC Verzekeringen NV
WITTEMANS Marc	Non-executive	2018	Non-executive Director of KBC Groep NV
MRBB cvba	Director		Non-executive Director of Agro Services CVBA
Diestsevest 40			Non-executive Director of Arda Immo NV
3000 Leuven			Non-executive Director of Acerta CVBA
			Non-executive Director of Acerta Consult CVBA
			Non-executive Director of SBB Accountants en Belastingconsulenten BV cvba
			Executive Director of M.R.B.B. cvba - Maatschappij voor Roerend Bezit van de Boerenbond
			Non-executive Director of Agri Investment Fund cvba
			Non-executive Director of Covalis NV
			Director of Aktiefinvest cvba
			Non-executive Director of KBC Verzekeringen NV
BOSTOEN Alain	Non-executive	2016	Executive Director of Quatorze Juillet BVBA
Coupure 126	Director		Executive Director of AGROBOS NV
9000 Gent			Executive director of Christeyns Maroc Académie Privé
Belgium			Non-executive Director of KBC Verzekeringen NV
			Executive Director of Christeyns NV
			Executive Director of Christeyns France
			Executive Director of Christeyns AB
			Executive Director of Christeyns Polska GP
			Executive Director of Christeyns Higiéma Kft
			Executive Director of Christeyns Italia
			Executive Director of Christeyns Portugal
			Executive Director of Christeyns UK
			Executive Director of Christeyns BV
			Executive Director of Christeyns Nordic AB
			Executive Director of Christeyns Holding Inc.
			Executive Director of Christeyns GmbH
			Executive Director of Christeyns Espana SAU
			Executive Director of Christeyns Laundry Technology Llc
			Executive Director of Christeyns Maroc
			Executive Director of Peritus Brands
			Executive Director of Alex Reid
			Executive Director of Klenzan
			Executive Director of ALGIMO NV
			Executive Director of Alcal SAS
TYTGADT Alain	Non-executive	2016	Non-executive Director of KBC Group NV
Prinses Josephinelaan	Director		Non-executive Director of KBC Verzekeringen NV
8300 Knokke-Heist			
Belgium			Executive Director of Metalunion CVBA

				<p>Non-executive Director of Hallex NV  Non-executive Director of Hallex Nederland BV  Non-executive Director of Sloestaal BV  Chairman of the Board of Directors of Sinfonia Investments NV  Non-executive Director of Sobemetal NV  Non-executive Director of KBC Verzekeringen NV  Non-executive Director of CBC BANQUE SA  Executive Director of KBC Verzekeringen NV  Non-executive Director of Groep VAB NV  Member of the Executive Committee of KBC Group NV  Non-executive Director of Febelfin  Member of the Board of Directors of BVB</p>
FALQUE Daniel	Executive	2016		
Bovenbosstraat 78	Director			
3053 Haasrode				
Belgium				
DONCK Frank	Non-executive	2016		
Floridalaan 62	Director			
1180 Ukkel				
Belgium				
				<p>Executive Director of 3D Private Equity NV  Executive Director of 3D NV  Non-executive Director of KBC Group NV  Non-executive Director of Telenet NV  Non-executive Director of Iberanfra BVBA  Executive Director of TRIS NV  Executive Director of Ibervest NV  Non-executive Director of Ter Wyndt NV  Non-executive Director of Ter Wyndt CVBA  Member of the Board of Directors of Zenitel NV  Non-executive Director of Aspel Slovakia sro  Non-executive Director of Anchorage NV  Non-executive Director of Aspel Polyform SA  Executive Director of Hof Het Lindeken CVBA  Executive Director of Huon &amp; Kauri NV  Non-executive Director of KBC Group NV  Non-executive Director of Greenyard Foods NV  Non-executive Director of Winge Golf NV  Non-executive Director of KBC Verzekeringen NV  Chairman of the Board of Directors of Atenor Group SA  Chairman of the Board of Directors of Plastiflex Group NV</p>
MORLION Lode	Non-executive	2016		
Weststraat 18	Director			
8647 Lo-Reninge				
Belgium				
				<p>Executive Director of M&amp;D Invest NV  Non-executive Director Gaselwest cvba  Non-executive Director Financieringsvereniging Gaselwest Figga  Chairman of the Board of Directors of Cera Beheersmaatschappij NV  Non-executive Director of Woonmaatschappij Ijzer en Zee CVBA  Non-executive Director of KBC Verzekeringen NV</p>
VLERICK Philippe	Member of the	2016		
				<p>Non-executive Director of KBC Group NV  Deputy Chairman of the Board of Directors of</p>

Ronsevaalstraat 2 8510 Bellegem Belgium	Board of Directors			KBC Groep NV Chairman of the Board of Directors of Indus Kamdhenu Fund Chairman of the Board of Directors of Lutherick NV Chairman of the Board of Directors of Raymond Uco denim Private Ltd. Non-executive Director of BESIX GROUP SA Non-executive Director of IVC NV Chairman of the Board of Directors of Vobis Finance NV Non-executive Director of HAMON & CIE (INTERNATIONAL) SA Chairman of the Board of Directors of UCO NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of Robaertbeek NV Deputy Chairman of the Board of Directors of Durabilis NV Chairman of the Board of Directors of Point NV Executive Director of CECAN Invest NV Chairman of the Board of Directors of VIT NV Chairman of the Board of Directors of Belgian International Carpet C° NV Non-executive Director of LVD Company NV Chairman of the Board of Directors of Pentahold NV Executive Director of CECAN NV Executive Director Bareldam Non-executive director Sapient Investment managers Executive Director Lurick NV Executive Director Therickx NV
ROUSSIS Theo Poederstraat 51 2370 Belgium	Non-executive director	2016		Non-executive Director of Ravago Holding America, Inc. Non-executive Director of Plastomark (Proprietary) Ltd. Executive Director Ravago SA Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Groep NV
VAN DEN BRINK Dolf Gijsbert Carel Raboes 19 1251 AK Laren Nederland	Non-executive director	2016		Non-executive Director of Akzo Nobel Non-executive Director of Legal & General Nederland Levensverzekering Maatschappij NV Non-executive Director of Center Parcs Europe NV Non-executive Director of Elsevier Reed Finance B.V. Non-executive Director of Nederlandse Waterschapsbank NV

VAN KERCKHOVE Ghislaine Wegvoeringstraat 62 9230 Wetteren	Non-executive director 2016	Non-executive Director of De Heus Veevoeders B.V. Non-executive Director of Almancora Beheersmaatschappij NV Non-executive Director of Cera Beheersmaatschappij NV Non-executive Director of KBC Groep NV Non-executive Director of KBC Verzekeringen NV
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## 18. Members of Audit Committee

The members of the Audit Committee of KBC Bank are:

- Julien De Wilde
- Franky Depickere
- Frank Donck
- Marc Wittemans

The Audit, Risk and Compliance Committee (the “ARC Committee”) was set up by the Board of Directors and has an advisory role. The role and remit of this Committee is defined by the Board of Directors and set out in its own Regulation. On behalf of the Board, the ARC Committee supervises the integrity and effectiveness of the internal control measures and the risk management in place, paying special attention to correct financial reporting. The ARC Committee also follows the procedures set up by KBC Bank to comply with Belgian law and other regulations. To be able to achieve this, the ARC Committee has unrestricted access to all information and may start up special investigations in all the areas for which it has responsibility. The ARC Committee evaluates its composition and operations once a year.

## 19. Statutory auditors

The auditors of the Guarantor are Ernst & Young Bedrijfsrevisoren BCVBA (*erkend revisor/réviseur agréé*), represented by P. Vanderbeek and/or P Telders, 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 have been audited in accordance with IAS for the year ending 31 December 2012 and for the year ending 31 December 2013 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 by reference in the form and context in which they are included or incorporated by reference, with the consent of the auditors who have authorised the contents of that part of this Base Prospectus.

## 20. Litigation

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) is 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 company, the members of the board or the management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the 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**

From late 1995 until early 1997, Kredietbank NV the predecessor of KBC Bank NV 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 a 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 KB 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, KB and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and to file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KB and KB Consult immediately took the necessary measures to preclude any further involvement with these parties. The activities of KB Consult were subsequently wound up.

- (i) KBC Bank and KB Consult were summoned separately or jointly to court in 28 legal actions. This resulted in 20 lawsuits of which 18 are still pending before the courts. In one lawsuit the court ruled that KB Consult was summoned as third party without cause and therefore the claim was dismissed. In another lawsuit the claim of the Belgian State was dismissed and the judgment is definite. KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 31.3 million (status as at 31 March 2014) has been constituted to cover the potential impact of any liability with respect to these actions.

In addition to KB Consult and KBC Bank, KBC Group was also summoned before the Chambers section of the Court of First Instance in Bruges on 25 February 2009. The charges against the aforesaid KBC entities relate only to the use of false documents. The trial was postponed several times. On 9 November 2011 a judgment ordered KBC Bank and KB Consult would be prosecuted together with 21 other parties indicted of various crimes with regard to tax fraud. The claim against KBC Group was dismissed. An appeal was lodged against this dismissal by the Prosecutor and two civil parties. There is still no hearing date set.

- (ii) In 2003, an important case of fraud perpetrated by an employee, Attila Kulcsár, involving about EUR 140.6 million, came to light at K&H Equities in Hungary. Orders and portfolio statements of clients were forged. Many clients suffered substantial losses in their portfolio as a result of unauthorised speculation and the misappropriation of funds. On 28 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. Other persons involved were sentenced to severe punishments.

The Public Prosecutor and all the persons who had been found guilty filed an appeal before the Court of Appeal. On 27 May 2010, the Court of Appeal annulled the first instance court verdict and ordered a complete retrial. The new trial before the first instance court started on 1 December 2010 and is still ongoing.

Almost all claims have already been settled, either amicably or following an arbitral decision. Among these pending claims, DBI Kft. (Betonut) is the most important case, involving an initial total claimed amount of HUF 3.7 billion (approximately EUR 11.9 million) plus interest. Appropriate provisions have been set aside for this claim still outstanding, taking into account

compensation provided by an external insurer. A judgment in the first instance is to be expected by the end of 2014.

### ***Other litigation***

- (i) In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, currently KBC Real Estate, a Belgian subsidiary of KBC Bank, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying 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. An adjusted provision of EUR 30.1 million (as at 31 March 2014) 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 declared 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 the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

On 2 November 2010 Broeckdal Vastgoedmaatschappij was declared dissolved by the commercial court in Antwerp and the liquidation of the company was closed by judgment of 13 September 2011 by the same court.

- (ii) In March 2008, KBC Group, KBC Bank, KBL and Krediettrust were summoned to appear before the commercial court in Brussels by the British company Beverly Securities Limited. This company has made 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 the 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 KBC and KBL 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 highly respected law firms, 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 26 March 2010 whereby the court considered the actions inadmissible and granted damages for the defendants.

Beverly Securities Limited lodged an appeal on 2 July 2010. Written arguments have been exchanged. Court dates for pleading the case have been set for January 2014 and February 2014. During the pleadings, Beverly Securities Limited submitted new evidence. Another round of written arguments have been organised in order to allow parties to reply to the new evidence. A judgment in appeal is expected at the earliest in autumn 2014.

- (iii) KBC Bank and subsidiaries such as K&H Bank and ČSOB SK received numerous complaints about CDO notes issued by KBC Financial Products that were sold to private banking and corporate clients and which have been downgraded. Such clients have been asking for their notes to be bought back at their original value.

KBC Bank 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 settlements were signed with clients in KBC Bank Private Banking and Retail, which represent 99% of the private banking and retail clients involved. In the only judicial case that is still ongoing, the court of first instance of Kortrijk ruled in favour of KBC Bank and dismissed the claim on 24 November 2011. The counterparty lodged an appeal on 12 January 2012. On 17 February 2014 the court of appeal in Ghent ordered the parties to provide further details on technical issues. Currently written arguments are being exchanged and a new hearing date is set on 16 June 2014.

As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are ongoing. In seven cases the courts rendered judgments in favour of KBC. In one case, the court decided that the bank and the client were jointly responsible. KBC appealed against this decision in June 2013. Currently eight cases are pending in degree of appeal. One lawsuit is pending in first instance before the commercial court. A hearing date is set on 19 September 2014.

In one case a criminal complaint was lodged against KBC Bank in France. The public prosecutor served a writ of summons before the criminal court in Paris against KBC Bank. By ruling issued on 28 November 2013, the court granted full acquittal in favour of KBC. The judgment was not appealed and is definite.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court. Few clients are still pursuing their claim before the court.

On 10 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 EUR 150,000) 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. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court.

In ČSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients, settlements were reached. There will be no settlement and negotiation with four institutional clients. No lawsuit in respect of CDO investments is pending.

- (iv) Lazare Kaplan International Inc. is a U.S. based diamond company ("LKI"). Lazare Kaplan Belgium NV is LKI's Belgian affiliate ("LKB"). LKI and LKB together are hereinafter referred to as "LK".

Since 2008, LKB is involved in a serious dispute with its former business partners, DD Manufacturing NV and KT Collection BVBA ("Daleyot"), Antwerp based diamond companies belonging to Mr. Erez Daleyot. This dispute relates to a joint venture LK and Daleyot set up in Dubai (called "Gulfdiam").

LKB and Daleyot became entangled in a complex litigation in Belgium, each claiming that the other party is their debtor. Daleyot initiated proceedings before the Commercial Court of Antwerp claiming the non-payment of commercial invoices for an amount of (initially) approximately USD 9 million. LKB launched a counter claim claiming the non-payment of commercial invoices for (initially) an amount of approximately USD 38 million.

The dispute escalated with LK directly involving Antwerpse Diamantbank NV ("ADB") and KBC Bank NV ("KBC") by launching legal claims against ADB in Belgium (Antwerp) and against both ADB and KBC in the USA (New York) alleging that LK was swindled out of some USD 140 million by DD Manufacturing and other Daleyot entities in cooperation with ADB. This development was triggered by the fact that, at the end of 2009, ADB terminated LK's credit facilities and started proceedings before the Commercial Court in Antwerp.

Essentially, all legal proceedings initiated by LK against ADB and / or KBC in Belgium and the USA only relate to the dispute between ADB and LKI with regard to the termination of the credit facility and the recovery of all the monies LKI owes under the terminated credit facility.

- Commercial Court of Antwerp (seventh Chamber): ADB issued summons against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million in capital). LKB voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. LKI launched a counterclaim an amount of USD 500 million (including the USD 350 million of LKB) against ADB for damages.

After numerous procedural incidents, a court hearing was finally set for 3 April 2014. However, the court postponed the case and set the hearing for 18 December 2014 given the fact that Lazare appealed against the latest decision whereby the Commercial Court set a briefing schedule and the court hearing for 3 April 2014. Although KBC believes this appeal is manifestly inadmissible, the Court of Appeal of Antwerp decided to postpone the case to 4 November 2014.

- Court of Cassation: LK filed no less than five separate appeals with the Court of Cassation. Four appeals were related to the proceedings before the Commercial Court of Antwerp. These appeals have recently been dismissed.

One appeal is related to the proceedings before the Chamber of Accusation and is still pending (see below).

- Court of First Instance of Antwerp - Judge of Seizures: By decision of 21 January 2014, ADB obtained permission from the Antwerp Judge of Seizures to have LKI's claim against Trau Bros put under garnishment.

LKI has filed a petition with the Judge of Seizures against the garnishment. A court hearing is set for 1 December 2014.

- Criminal Court of Antwerp: On 21 March 2013 LKI summoned ADB directly before the Criminal Court in Antwerp mainly under accusation of fraud, abuse of trust and money laundering. This summons may lead to a suspension of the case pending before the Commercial Court of Antwerp, which is however under discussion. KBC is not a party to this litigation. On 30 October 2013 the Criminal Court decided that it was not competent to decide on the claim LKI directly summoned before the Criminal Court. LKI has lodged an appeal with the Court of Appeals of Antwerp against the decision of the Criminal Court. No date has been yet set for the hearing before the Court of Appeal.

- Criminal Complaint: On 22 March 2013 LKI filed a criminal complaint against ADB with the investigation magistrate ("*Onderzoeksrechter*") in the Criminal Court of Antwerp, this time on the basis of alleged bribery of ADB officers and directors by Daleyot. KBC is not a party to this litigation. The Public Prosecutor decided however to bring the case directly before the Counsel Chamber ("*Raadkamer*"). LKI launched a request for further investigation. This request is still pending before the Chamber of Accusation of Antwerp ("*Kamer van Inbeschuldigingstelling*"). The Public Prosecutor requested the Chamber of Accusation to investigate the legality and regularity ("*Vordering tot regelmatigheidsonderzoek*") of the proceedings initiated by LK. Before rendering a decision, the Chamber of Accusation ordered that ADB had to be heard regarding this request. A hearing was set for 17 March 2014. The case was however postponed *sine die*, given the fact that LK filed an appeal before the Court of Cassation against the decision of the Chamber of Accusation to hear ADB. This appeal is still pending.

- District Court Southern District of New York: On 23 December 2011, LKI filed a claim of USD 500 million against both ADB and KBC, based on the so-called RICO-act; this claim is in fact a non-cumulative duplicate of the one brought before the Commercial Court in Belgium.

On 5 September 2012, the New York District Court granted ADB's and KBC's motions to dismiss based on the doctrine of "forum non conveniens" meaning that New York is not the appropriate forum for this litigation. LKI filed a notice of appeal to the United States Court of Appeal for the Second Circuit.

By decision dated 20 June 2013 the Court of Appeal referred the case back to the District Court. The Court of Appeal decided that the District Court had to choose between the two conflicting forum selection clauses instead of proceeding directly to a "forum non conveniens" analysis. The Court of Appeal made clear that it did not express an opinion on the applicability of either of the two forum selection clauses nor on the merits of ADB's and KBC's arguments for dismissal. On 8 July 2013 the District Court ruled that some reciprocal discovery is appropriate in order to make a decision on the forum selection clauses. Parties have had disagreements about the scope of document discovery. During a discovery conference held on 8 November 2013, the District Court ruled that LKI is permitted some additional document discovery. Parties are now exchanging the documents which are under the scope of this ruling.

- (v) When Lehman Brothers went bankrupt in September 2008, KBC Bank had derivative transactions outstanding with Lehman Brothers Finance AG (LBF) under an ISDA Master Agreement. The bankruptcy triggered an event of default and early termination of all outstanding transactions. LBF

is disputing a number of matters in this regard, including the valuation method used by KBC Bank and – in a letter of claim dated 21 December 2012 – asserted that the net amount payable to LBF under the ISDA agreement is USD 58.1 million plus USD 52.8 million in interest accruing since September 2008. On 25 September 2013, KBC was summoned by LBF in London, where it filed a claim of USD 58.1 million (plus interest of USD 57 million). KBC Bank believes it has various arguments to defend the valuation method used and is also strongly disputing the interest rate applied by LBF. The formal procedural steps have not yet been determined. In accordance with applicable procedure laws, evidence documents will have to be exchanged and the judge will hold a case management conference. The actual court proceedings will start at the earliest one year after the case management conference. An adequate provision has been set aside.

KBC Diversified Fund, a segregated portfolio of KBC AIM Master Fund Spc., filed a claim against Lehman Brothers International Europe (LBIE) in relation to derivatives amounting to USD 44.3 million, which amount was the result of a set-off of claims between various KBC entities and LBIE. This claim is being contested by LBIE and provisions have been set aside covering this amount. KBC is negotiating with the administrator of LBIE regarding the valuation of a number of terminated transactions.

KBC Bank filed a claim of USD 29.2 million payable by Lehman Brothers Special Financing Inc. (LBSF) to KBC based on the termination of derivative transactions. After LBSF's administrator contested the valuation of some of the derivative transactions, an out-of-court settlement was reached in which both parties consented to KBC claiming USD 22.7 million. An adequate provision for this claim has been set aside.

## TAXATION

*This section sets out a summary of certain taxation considerations relating to the Notes.*

*Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequence of purchasing, holding or selling the Notes under the tax laws of the country of which they are resident, including, without limitation, the consequences of receipt of Interest Amounts and premium, if any, on and sale or redemption of, the Notes or any Interest Amounts therein. The discussions that follow do not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to a purchaser of the Notes. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this Base Prospectus. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.*

### The Netherlands

#### Introduction

The following summary does not purport to be a comprehensive description of all Dutch tax considerations that could be relevant to holders of the Notes. This summary is intended for general information only. Each prospective holder should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes. This summary is based on Dutch tax legislation and published case law in force as of the date of this document. It does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect. For the purposes of this section, “The Netherlands” shall mean that part of the Kingdom of The Netherlands that is in Europe.

#### Scope

Regardless of whether or not a holder of Notes is, or is treated as being, a resident of The Netherlands, with the exception of the section on withholding tax below, this summary does not address The Netherlands tax consequences for such a holder:

- (i) having a substantial interest (*aanmerkelijk belang*) in the Issuer (such a substantial interest is generally present if an equity stake of at least 5%, or a right to acquire such a stake, is held, in each case by reference to the Issuer’s total issued share capital, or the issued capital of a certain class of shares);
- (ii) who is a private individual and who may be taxed in box 1 for the purposes of Netherlands income tax (*inkomstenbelasting*) as an entrepreneur (*ondernemer*) having an enterprise (*onderneming*) to which the Notes are attributable, or who may otherwise be taxed in box 1 with respect to benefits derived from the Notes;
- (iii) which is a corporate entity and a taxpayer for the purposes of Netherlands corporate income tax (*vennootschapsbelasting*), having a participation (*deelneming*) in the Issuer (such a participation is generally present in the case of an interest of at least 5% of the Issuer’s nominal paid-in capital);
- (iv) which is a corporate entity and an exempt investment institution (*vrijgestelde beleggingsinstelling*) or investment institution (*beleggingsinstelling*) for the purposes of Netherlands corporate income tax, a pension fund, or otherwise not a taxpayer or exempt for tax purposes;

- (v) which is a corporate entity and a resident of Aruba, Curaçao or Sint Maarten; or
- (vi) which is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the Notes and/or the benefits derived from the Notes.

This summary does not describe The Netherlands tax consequences for a person to whom the Notes are attributed on the basis of the separated private assets provisions (*afgezonderd particulier vermogen*) in The Netherlands Tax Act 2001 (*Wet inkomstenbelasting 2001*) and/or The Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*).

### **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 art. 10, paragraph 1, letter d, The Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

### **Income Tax**

Resident holders: A holder who is a private individual and a resident, or treated as being a resident of The Netherlands for the purposes of Netherlands income tax, must record Notes as assets that are held in box 3. Taxable income with regard to the Notes is then 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 is fixed at a rate of 4% of the holder's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the yield basis exceeds a certain threshold (*heffingvrij vermogen*). Such 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 at the beginning of the calendar year. The fair market value of the Notes will be included as an asset in the holder's yield basis. The deemed return on income from savings and investments is taxed at a rate of 30%.

Non-resident holders: A holder who is a private individual and neither a resident, nor treated as being a resident, of The Netherlands for the purposes of Netherlands income tax, will not be subject to such tax in respect of benefits derived from the Notes, unless such holder 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, to which enterprise the Notes are attributable.

### **Corporate Income Tax**

Resident holders: A holder which is a corporate entity and, for the purposes of Netherlands corporate income tax, a resident, or treated as being a resident, of The Netherlands, is taxed in respect of benefits derived from the Notes at rates of up to 25%.

Non-resident holders: A holder which is a corporate entity and, for the purposes of Netherlands corporate income tax, is neither a resident, nor treated as being a resident, of The Netherlands, will not be subject to corporate income tax, unless such holder has 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, a Netherlands Enterprise (*Nederlandse onderneming*), to which Netherlands Enterprise the Notes are attributable, or such holder is (other than by way of securities) 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 and to which enterprise the Notes are attributable. Such holder is taxed in respect of benefits derived from the Notes at rates of up to 25%.

## **Gift and Inheritance Tax**

*Resident holders:* Netherlands gift tax or inheritance tax (*schenk- of erfbelasting*) will arise in respect of an acquisition (or deemed acquisition) of Notes by way of a gift by, or on the death of, a holder of Notes who is a resident, or treated as being a resident, of The Netherlands for the purposes of Netherlands gift and inheritance tax.

*Non-resident holders:* No Netherlands gift tax or inheritance tax will arise in respect of an acquisition (or deemed acquisition) of Notes by way of a gift by, or on the death of, a holder of Notes who is neither a resident, nor treated as being a resident, of The Netherlands for the purposes of Netherlands gift and inheritance tax.

## **Other Taxes**

No Netherlands turnover tax (*omzetbelasting*) will arise in respect of any payment in consideration for the issue of Notes, with respect to any cash settlement of Notes or with respect to the delivery of Notes. Furthermore, no Netherlands registration tax, capital tax, transfer tax or stamp duty (nor any other similar tax or duty) will be payable in connection with the issue or acquisition of the Notes.

## **Residency**

A holder will not become a resident, or a deemed resident, of The Netherlands for Netherlands tax purposes by reason only of holding the Notes.

## **Belgium**

*The following summary describes the principal Belgian tax considerations with respect to the holding of Notes. This information is of a general nature and does not purport to be a comprehensive description of all Belgian tax considerations that may be relevant to a decision to acquire, to hold or to dispose of the Notes. In some cases, different rules can be applicable. This summary does not describe the tax consequences for a holder of Notes that are redeemable in exchange for, or convertible into assets, of the exercise, settlement or redemption of such Notes or any tax consequences after the moment of exercise, settlement or redemption. Furthermore, the tax rules can be amended in the future, possibly implemented with retroactive effect, and the interpretation of the tax rules may change.*

*Each prospective holder of Notes should consult a professional adviser with respect to the tax consequences of an investment in the Notes, taking into account the influence of each regional, local or national law.*

## **Withholding Tax and Income Tax**

### ***Tax rules applicable to natural persons resident in Belgium***

Belgian natural persons who are Belgian residents for tax purposes, i.e., who are subject to the Belgian personal income tax (“*Personenbelasting*”/“*Impôt des personnes physiques*”) and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

In accordance with Belgian tax law, the following amounts are qualified and taxable as “interest”: (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as “fixed income securities” (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. “Fixed income securities” are defined as bonds, specific debt certificates issued by banks (*‘kasbon’/‘bon de caisse’*) and other similar securities, including securities where

income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.

Payments of Interest Amounts on the Notes made through a paying agent in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium (calculated on the Interest Amount received after deduction of any non-Belgian withholding taxes). The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the Interest Amounts obtained on the Notes in their personal income tax return, provided withholding tax was levied on these interest payments. They may nevertheless elect to declare Interest Amounts in respect of the Notes in their personal income tax return.

If the Interest Amounts are paid outside Belgium without the intervention of a Belgian paying agent, the Interest Amounts received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return.

Interest income which is declared in the annual personal income tax return will in principle be taxed at a flat rate of 25 per cent. (or at the progressive personal tax rate taking into account the taxpayer's other declared income, whichever is more beneficial). If the interest payment is declared, any withholding tax retained may be credited.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gains are realised outside the scope of the management of one's private estate or unless and to the extent the capital gains qualify as interest (as defined above). Capital losses are in principle not tax deductible.

#### ***Belgian resident companies***

Corporations Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian Corporate Income Tax ("*Vennootschapsbelasting*" / "*Impôt des sociétés*") are in Belgium subject to the following tax treatment with respect to the Notes.

Interest derived by Belgian corporate investors on the Notes and capital gains realised on the Notes will be subject to Belgian corporate income tax of 33.99 per cent. Capital losses are in principle deductible.

Interest payments on the Notes (except Zero Coupon Notes and other Notes which provide for the capitalisation of interest) made through a paying agent in Belgium can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

#### ***Belgian legal entities***

Legal entities Noteholders who are Belgian residents for tax purposes, i.e. who are subject to Belgian tax on legal entities ("*Rechtspersonenbelasting*" / "*impôt des personnes morales*") are in Belgium subject to the following tax treatment with respect to the Notes.

In accordance with Belgian tax law, the following amounts are qualified and taxable as "interest": (i) periodic interest income (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date) (iii) if the Notes qualify as "fixed income securities" (in the meaning of article 2, §1, 8° Belgian Income Tax Code), in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period. "Fixed income securities" are defined as bonds, specific debt certificates issued by banks ("*kasbon*" / "*bon de caisse*") and other similar securities, including securities where income is capitalised or securities which do not generate a periodic payment of income but are issued with a discount corresponding to the capitalised interest up to the maturity date of the security.



Payments of Interest Amounts on the Notes made through a paying agent in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium and no further tax on legal entities will be due on the Interest Amounts.

However, if the Interest Amounts are paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is required to declare and pay the 25 per cent. withholding tax to the Belgian tax authorities.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless and to the extent the capital gain qualifies as interest (as defined above). Capital losses are in principle not tax deductible.

### ***Organisation for Financing Pensions***

Belgian pension fund entities that have the form of an Organisation for Financing Pensions (OFP) are subject to Belgian Corporate Income Tax (“*Vennootschapsbelasting*”/“*Impôt des sociétés*”). OFPs are in Belgium subject to the following tax treatment with respect to the Notes.

Interest Amounts derived by OFP Noteholders on the Notes and capital gains realised on the Notes will be exempt from Belgian Corporate Income Tax. Capital losses are in principle not tax deductible.

The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

### ***Belgian non-residents***

The interest income on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 25 per cent. withholding tax, unless the Noteholder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors can also obtain an exemption of Belgian withholding tax on Interest Amounts from the Notes if they are the owners or *usufructors* of the Notes and they deliver an affidavit confirming that they have not allocated the Notes to business activities in Belgium and that they are non-residents, provided that (i) the Interest Amounts are paid through a Belgian credit institution, stock market company or clearing or settlement institution and that (ii) the Notes are not used by the Issuer for carrying on a business in Belgium.

The non-residents who use the Notes to exercise a professional activity in Belgium through a permanent establishment are subject to the same tax rules as the Belgian resident companies (see above). Non-resident Noteholders who do not allocate the Notes to a professional activity in Belgium are not subject to Belgian income tax, save, as the case may be, in the form of withholding tax.

### ***Individuals not resident in Belgium***

Interest Amounts paid or collected through Belgium on the Notes and falling under the scope of application of the Savings Directive will be subject to the Disclosure of Information Method.

### ***Individuals resident in Belgium***

An individual resident in Belgium will be subject to the provisions of the Savings Directive, if he receives interest payments from a paying agent (within the meaning of the Savings Directive) established in another EU Member State, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Curaçao, Bonaire, Saba, Sint Maarten, Saint Eustatius (formerly The Netherlands Antilles), Aruba, Guernsey, Jersey, the Isle of Man, Montserrat, the British Virgin Islands, Anguilla, the Cayman Islands or the Turks and Caicos Islands.

If the interest received by an individual resident in Belgium has been subject to a Source Tax, such Source Tax does not liberate the Belgian individual from declaring the interest income in the personal income tax declaration. The Source Tax will be credited against the personal income tax. If the Source Tax withheld exceeds the personal income tax due, the excessive amount will be reimbursed, provided it reaches a minimum of EUR 2.5.

### **Tax on stock exchange transactions and tax on repurchase transactions**

A *taxe sur les opérations de bourse* (tax on stock exchange transactions) will be levied on the purchase and sale in Belgium of the Notes on the secondary market through a professional intermediary. The tax is generally due at a rate 0.09 per cent. for transactions in debt instruments and at a rate of 0.25 per cent. for transactions in other securities, with a maximum amount per transaction and per party of EUR 650 for debt instruments and EUR 740 for other securities (the rate of the tax and the maximum amount per transaction and per party for such other securities are due to be reduced back to 0.22 per cent. and EUR 650 respectively as from 1 January 2015). The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A *taxe sur les reports* (tax on repurchase transactions) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party (with a maximum amount of EUR 650 per transaction and per party).

However none of the taxes referred to above will be payable by exempt persons acting for their own account including investors who are not Belgian residents provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status and certain Belgian institutional investors as defined in Article 126.1 2° of the *Code des droits et taxes divers* (Code of various duties and taxes) for the *taxe sur les opérations de bourse* and Article 139, second paragraph, of the same code for the *taxe sur les reports*.

### **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, unless a Noteholder is resident in Belgium at the time of his death.

## **United Kingdom**

*The comments below are of a general nature based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which are subject to change and may not be binding on HM Revenue & Customs) and are not intended to be exhaustive. They assume that neither Interest Amounts on the Notes nor payments in respect of the Guarantee have a United Kingdom source and, in particular, that neither the Issuer nor the Guarantor is United Kingdom resident or acts through a permanent establishment in the United Kingdom in relation to the Notes. Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.*

### **Interest on the Notes**

Payments of Interest Amounts on the Notes by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

### **Information Reporting**

HM Revenue & Customs has powers to obtain information relating to securities in certain circumstances.

This may include the value of the Note, details of the holders or beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes.

Information may be required to be provided by, amongst others, the holders of the Notes, persons by (or via) whom payments derived from the Notes are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

### **Payments in respect of the Guarantee**

Any payments in respect of the Guarantee may be made without withholding or deduction for or on account of United Kingdom income tax.

### **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, as amended (the “Laws”) mentioned below, there is no withholding tax on payments of principal, premium or Interest Amounts 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 35 per cent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. The Luxembourg government has announced its intention to elect out the withholding system in favour of an automatic exchange of information with effect as from 1 January 2015.

#### *(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”), 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 Amounts under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

### **The proposed financial transactions tax (“FTT”)**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

A statement made by the participating Member States (other than Slovenia) indicates that a progressive implementation of the FTT is being considered, and that the FTT may initially apply only to transactions involving shares and certain derivatives, with implementation occurring by 1 January 2016. However, full details are not available.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

### **EU Savings Directive**

Under the Savings Directive, EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other EU Member State or to (or for the benefit of) certain limited types of entities established in that other EU 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), subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect as from 1 January 2015. The indications are that the Austrian government will also elect out of the withholding system in favour of an automatic exchange of information but no effective date has been announced.

A number of non-EU countries (including Switzerland), and certain dependent or associated territories of certain EU 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 an EU Member State. In addition, the EU 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 an EU Member State to, or collected by such a person for, an individual resident in one of those territories.

The Council of the European Union has adopted the Amending Directive, which will, when implemented, amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

### **FATCA Withholding**

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS BASE PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“FATCA”), non-U.S. financial institutions that enter into agreements with the IRS (“IRS Agreements”) or become subject to provisions of local law intended to implement an intergovernmental agreement (“IGA legislation”) entered into pursuant to FATCA, may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding may be required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after 1 January 2017 (at the earliest), in respect of “foreign passthru payments” and then only on “obligations” that are not treated as equity for U.S. federal income tax purposes and that are issued or materially modified on or after, in the case of an obligation that pays only foreign passthru payments, the date that is six months after

the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any Paying Agent, the Common Depositary or the Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, Definitive Notes will only be printed in remote circumstances.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

## SUBSCRIPTION AND SALE

*This section provides a summary of certain restrictions around who can purchase the Notes in certain jurisdictions.*

The Issuer and the Guarantor may agree to reimburse a Dealer for certain of its expenses in connection with the issue of Notes under the Programme and to indemnify such Dealer against certain liabilities incurred by it in connection therewith.

### General

Each 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 nor any Dealer 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 or supplement which may be agreed with the Issuer and the Guarantor in respect of the issue of any Tranche, each 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 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 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, as amended, and regulations thereunder.

### **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 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 “Public 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 Public 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 and the Issuer has consented in writing to its use for the purpose of that Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, 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;
- (d) at any time if the denomination per Note being offered amounts to at least EUR 100,000 (or its equivalent in another currency) per Note; 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 (a) to (e) 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 Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing



measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 would not, if the Issuer was not an authorised person apply to the Issuer; and
- (b) 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.

### **The Netherlands**

Notes that are not to be admitted on a regulated market may not be offered to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in Article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that no such offer of Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Zero Coupon Notes in definitive bearer form and other Notes in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*; the “SCA”)) may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

## GENERAL INFORMATION

*This section provides certain additional general information relating to all Notes.*

### 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 12 June 2013 and 17 June 2014, by resolutions of the Supervisory Board of the Issuer dated 12 June 2013 and 17 June 2014 and by resolutions of the sole shareholder of the Issuer dated 12 June 2013 and 17 June 2014. The giving of the Guarantee has been authorised by resolutions of the Guarantor's Executive Committee dated 26 March 2013 and 17 December 2013 and the resolution of Rik Janssen (Group Treasurer) on 11 June 2013 and 23 May 2014.

### 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 approval of this Base Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the official list of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID.

### 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 Agency Agreement (including as Schedules the forms of the Temporary Global Note, the Permanent Global Note, the Definitive Note, 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), during normal business hours at the registered office of the Issuer and on the website of the Issuer at [www.kbc.com](http://www.kbc.com):

- (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 31 December 2013 and 31 December 2012 and the audited annual consolidated financial statements of the Guarantor in respect of the financial years ended 31 December 2013 and 31 December 2012;
- (iii) the press release dated 8 January 2014 "KBC repays second instalment of EUR 500 million in Flemish State aid and again ahead of schedule, fully respecting the capital requirements set by the regulator";
- (iv) the press release date 17 June 2014 "KBC Group strategy update: Becoming the reference in bank-insurance";

- (v) the base prospectus dated 26 June 2013 relating to the EUR 15,000,000,000 Retail Euro Medium Term Note Programme of KBC Internationale Financieringsmaatschappij N.V. and guaranteed by KBC Bank NV; and
- (vi) any future prospectuses, base prospectuses, information memoranda and supplements including Final Terms relating to Notes which are listed on the official list of 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 official list of 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 on the website of the Issuer at [www.kbc.com](http://www.kbc.com).

### **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 KBC Bank Group since 31 December 2013; and
- (b) no material adverse change in the prospects of the Issuer, the Guarantor or the KBC Bank Group since 31 December 2013.

### **Litigation**

#### **KBC IFIMA N.V.**

Other than as set out in Section “Description of the Issuer” – “Litigation”, 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**

Other than as set out in Section “Description of the Guarantor”, subsection 20 “Litigation”, the Guarantor is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Guarantor 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 Guarantor.

**Statutory Auditors**

The auditors of the Issuer are Ernst & Young Accountants LLP, Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, The Netherlands. The auditors of the Issuer are members of the NBA (*Nederlandse Beroepsorganisatie van Accountants*), the Dutch professional organisation for accountants. The Issuer’s financial statements for the years ended 31 December 2012 and 31 December 2013 and the related auditors’ reports are incorporated by reference. The financial statements of the Issuer for the years ended 31 December 2012 and 31 December 2013 have been audited in accordance with Dutch GAAS and resulted, in each case, in an unqualified opinion. 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 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 have been audited in accordance with ISA for the years ending 31 December 2012 and 31 December 2013 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 by reference in the form and context in which they are included or incorporated by reference, 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. In addition, in the ordinary course of their business activities, the Dealers and their Affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their Affiliates. Certain of the Dealers or their Affiliates that have a lending relationship with the Issuer or Guarantor routinely hedge their credit exposure to the Issuer or Guarantor consistent with their customary risk management policies. Typically, such Dealers and their Affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their Affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may

hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For purposes of this paragraph, “Affiliates” means any entity controlled, directly or indirectly, by a Dealer, any entity that controls, directly or indirectly, a Dealer or any entity directly or indirectly under common control with a Dealer. For these purposes “control” means ownership of a majority of the voting power of an entity.

**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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Watermanweg 92  
3067 GG Rotterdam  
The Netherlands

**THE GUARANTOR**

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B-1080 Brussels  
Belgium

**DEALER**

**KBC Bank NV**  
Havenlaan 2  
B-1080 Brussels  
Belgium

**ISSUING AND PAYING AGENT**

**KBL European Private Bankers S.A.**  
43, Boulevard Royal  
L-2955 Luxembourg

**PAYING AGENT**

**Brown, Shipley & Co. Limited**  
Founders Court  
Lothbury  
London EC2R 7HE  
United Kingdom

**LEGAL ADVISER**

*To the Dealers as to Dutch, Belgian and English law*

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United Kingdom

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Zuidplein 180  
1077 XV Amsterdam  
The Netherlands

**AUDITORS**

*To the Guarantor*

**Ernst & Young Bedrijfsrevisoren BCVBA**  
De Kleetlaan 2  
B-1831 Diegem  
Brussels  
Belgium

*To the Issuer*

**Ernst & Young Accountants LLP**  
Cross Towers  
Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands

**LUXEMBOURG LISTING AGENT**

**KBL European Private Bankers S.A.**  
43, Boulevard Royal  
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