

PROSPECTUS



BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT, LUXEMBOURG

U.S.\$8,000,000,000 Euro Medium Term Note Programme

Any Notes issued under the Programme are issued subject to the provisions set out herein. This does not affect Notes issued prior to the date hereof.

Under this U.S.\$8,000,000,000 Euro Medium Term Note Programme (the **Programme**), Banque et Caisse d'Épargne de l'État, Luxembourg (the **Issuer**) may from time to time issue notes (the **Notes**, which expression shall include Senior Notes and Subordinated Notes (each as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The Notes will rank either as senior obligations of the Issuer (**Senior Notes**) or as subordinated obligations of the Issuer (**Subordinated Notes**). Subordinated Notes will be issued as Upper Tier II Subordinated Notes (subject to the prior approval of the terms thereof by the *Commission de surveillance du secteur financier* (the **CSSF**)), Lower Tier II Subordinated Notes or Tier III Subordinated Notes (in each case as defined on page 15).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$8,000,000,000 (or its equivalent in other currencies calculated as described herein).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 54 (and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis) (each a **Dealer** and together the **Dealers**). References in this Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

This document has been approved by the CSSF in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities as amended (the **Prospectus Act 2005**) as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Prospectus Act 2005. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme 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. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the EuroMTF market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Directive. The CSSF has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set forth in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of this Prospectus, the Final Terms with respect to Notes to be listed and admitted to trading on the Luxembourg Stock Exchange and any documents incorporated by reference herein will be available from the official website of the Luxembourg Stock Exchange at www.bourse.lu. In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common depositary or, as the case may be, a common safekeeper on behalf of Euroclear Bank S.A./N.V. (**Euroclear**), and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and/or any other agreed clearance system which will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for definitive Notes, either upon request or in certain limited circumstances, all as further described in "*Form of the Notes*" below.

The Programme has been rated Aa1 by Moody's France SAS (**Moody's**) and AA+ by Standard & Poor's Credit Market Services France SAS. (**Standard & Poor's**). Each of Moody's and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Programmes rated "Aa" by Moody's are considered to be of high quality and subject to very low credit risk. The modifier "1" indicates that the obligation ranks in the higher end of the "Aa" category. For programmes rated "AA" by Standard & Poor's, the Issuer is considered to have a very strong capacity to meet financial commitments. The modifiers "+" or "-" are appended to a rating to denote the relative status within major rating categories. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. 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. 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 the CRA Regulation will be disclosed in the Final Terms.

The date of this Prospectus is 28 June 2013

**Arranger
Citigroup**

Dealers

**Banco Bilbao Vizcaya Argentaria, S.A.
BofA Merrill Lynch
Citigroup
Goldman Sachs International
Mizuho Securities
UBS Investment Bank**

**BNP PARIBAS
Crédit Agricole CIB
Deutsche Bank
J.P. Morgan
Morgan Stanley**

IMPORTANT INFORMATION

*This Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purpose of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a member State of the European Economic Area) (the **Prospectus Directive**).*

The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that this is the case) the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all information with respect to itself and any Notes which is material in the context of the Programme, that the information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading.

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

Apart from the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Programme or any Notes or their distribution. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

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

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or 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. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme.

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the

*Prospectus Directive to publish a prospectus. Any such offer is referred to as a **Non-exempt Offer**. Investors should note that important information relating to Non-exempt Offers of Notes can be found on page 45.*

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF NOTES GENERALLY

This 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 Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, except for the approval of this Prospectus by the CSSF, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this 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 and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan (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:

- (a) 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 Prospectus or any applicable supplement;*
- (b) 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;*
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;*
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and*
- (e) 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.*

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes

will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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.

*The Notes have not been and will not be registered under the United States Securities Act of 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, or for the account or benefit of, U.S. persons (see "Subscription and Sale" below).*

Investors should consult the Issuer should they require a copy of the 2006 ISDA Definitions.

PRESENTATION OF INFORMATION

In this Prospectus, all references to

- **U.S. dollars, U.S.\$, \$ and U.S. cent** refer to the currency of the United States of America;
- **Japanese Yen** and **Yen** refer to the currency of Japan;
- **£** and **Sterling** refer to the currency of the United Kingdom; and
- **euro, EUR** and **€** 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.

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STABILISATION

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

SUMMARY OF THE PROGRAMME

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 Notes and the Issuer. 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 a summary because of the type of securities and issuer, 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.

Section A – Introduction and warnings

Element	Title	
A.1	Introduction	<ul style="list-style-type: none"> • This summary should be read as an introduction to the Prospectus and the applicable Final Terms. • Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole. • Where a claim relating to information contained in the Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus and the applicable Final Terms before the legal proceedings are initiated. • No civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus and the applicable Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Prospectus and the applicable Final Terms, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Notes.
A.2	Consent	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Non-exempt Offer.</p> <p><i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Prospectus in connection with a Non-exempt Offer of Notes by the Managers, [<i>names of specific financial intermediaries listed in final terms,</i>] and each financial intermediary whose name is published on the Issuer's website (www.bcee.lu) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer and any financial intermediary which is</p>

Element	Title	
		<p>authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) 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 Notes] (the Notes) described in the Final Terms dated [insert date] (the Final Terms) published by Banque et Caisse d'Epargne de l'Etat (the Issuer). We hereby accept the offer by the Issuer of its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Prospectus, and we are using the Prospectus accordingly,</i></p> <p>(each an Authorised Offeror).</p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Non-exempt Offers of Notes during [offer period for the issue to be specified here] (the Offer Period).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent (in addition to the conditions referred to above) are that such consent: (a) is only valid during the Offer Period; (b) only extends to the use of this Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [specify each Relevant Member State in which the particular Tranche of Notes can be offered]; and (c) [specify any other conditions applicable to the Non-exempt Offer of the particular Tranche, as set out in the Final Terms].</p> <p>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH 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 INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION.</p>

Section B – Issuer

Element	Title	
B.1	Legal and commercial name of the Issuer	Banque et Caisse d'Epargne de l'Etat, Luxembourg (BCEE)
B.2	Domicile/legal form/legislation/country of incorporation	The Issuer is a public autonomous establishment having a legal personality incorporated and domiciled in the Grand Duchy of Luxembourg under the Luxembourg Act dated 21 February 1856

Element	Title	
		concerning, <i>inter alia</i> , the creation of a savings bank, as amended and presently governed by the Luxembourg act dated 24 March 1989 relating to Banque et Caisse d'Epargne de l'Etat, Luxembourg, as amended.
B.4b	Trend information	Not Applicable – There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current financial year.
B.5	Description of the Group	BCEE is the parent company of the Group. It has direct or indirect control over the management and financial and operational policies of its subsidiaries and equity accounted for affiliates. Subsidiaries are fully consolidated from their date of acquisition.
B.9	Profit forecast or estimate	Not Applicable – No profit forecasts or estimates have been made in the Prospectus.
B.10	Audit report qualifications	[Not Applicable – No qualifications are contained in any audit report included in the Prospectus.] [<i>Note: Auditors to confirm</i>]
B.12	Selected historical key financial information:	
	<i>Income Statement</i>	
	The table below sets out summary information extracted from the Issuer's audited income statement for each of the two years ended 31 December 2012 and 31 December 2011:	
	Consolidated Income Statement	
	<i>(in euros)</i>	
		31 December 2011
		31 December 2012
	Interest income	416,238,619
	Income from variable-income securities	29,974,327
	Fee and commission income	102,630,213
	Income from Interest, Dividends and Fees and Commission	548,843,159
	Income from financial instruments not recognised at fair value through profit or loss	-41,553,018
	Income from financial instruments held for trading	-65,550,627
	Income from hedging transactions	1,709,878
	Exchange gains or losses	8,024,415
	Other operating income	19,600,915
	Other operating expenditure	-1,087,937
	Banking Income	469,986,784
		576,315,424
		561,989,012

Element	Title		
	Personnel expenses	-176,795,334	-181,000,767
	Other general and administrative expenses	-68,941,339	-70,698,548
	Depreciation allowances for tangible and intangible assets	-26,742,213	-27,296,554
	Income after General Expenses	197,507,898	282,993,143
	Net allowances for impairment of individual and collective credit risks	-87,611,533	-23,678,683
	Provisions	639,937	609,195
	Share in the profit of equity-accounted associates	22,072,047	11,606,390
	Income before Taxes and Non-Current Assets	132,608,349	271,530,045
	Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations	-3,860,866	1,069,205
	Tax on income from continuing operations	-17,967,414	-27,786,720
	Deferred taxes	16,563,624	-15,911,611
	Income for the Year	127,343,693	228,900,919
	Of which:		
	Income for the Year Attributable To Minority Interests	1,371,418	1,401,557
	Income for the Year attributable to Equity Holders of the Parent	125,972,275	227,499,362
	<i>Statement of Financial Position</i>		
	The table below sets out summary information extracted from the Issuer's audited statement of financial position as at 31 December 2012 and 31 December 2011:		
	Consolidated Statement of Financial Position		
	Assets in euros	31 December 2011	31 December 2012
	Cash and balances with central banks	2,459,527,085	1,291,679,360
	Loans and advances at amortised cost – Credit institutions	5,858,242,107	7,094,564,634
	Loans and advances at amortised cost – Customers	16,594,034,238	16,716,489,554
	Financial instruments held for trading	235,341,022	85,646,698
	Hedging derivatives	149,193,054	67,139,194
	Available-for-sale securities – Fixed-income securities	8,438,492,520	8,443,341,261
	Available-for-sale securities – Variable-income securities	788,561,055	910,278,050
	Held-to-maturity securities	4,644,327,498	5,315,888,143

Element	Title		
	Investments in associates accounted for using the equity method	285,573,619	280,246,062
	Property, plant and equipment for own use	175,648,350	177,471,636
	Investment property	17,942,535	17,356,074
	Intangible assets	12,492,193	12,244,231
	Deferred tax assets	43,335,631	
	Other assets	38,704,895	81,032,735
	Total Assets	39,741,415,802	40,493,377,632
	Liabilities in euros		
	Deposits at amortised cost – Credit institutions	4,255,615,701	3,786,193,933
	Deposits at amortised cost – Private customers and public sector	24,324,263,715	24,473,545,033
	Financial instruments held for trading	150,587,688	324,581,083
	Hedging derivatives	713,548,684	822,908,804
	Debt securities in issue	7,277,048,463	7,385,930,607
	Provisions	4,813,364	4,200,369
	Other liabilities	63,747,017	60,508,671
	Current tax liabilities	75,779,375	84,227,576
	Deferred tax liabilities	-	63,431,254
	Pension fund	17,199,314	88,214,816
	Sub-total of Liabilities (before equity capital) to be carried forward	36,882,603,321	37,093,742,146
	Equity in euros		
	Sub-total of Liabilities (before equity capital) carried forward	36,882,603,320	37,093,742,146
	Share capital	173,525,467	173,525,467
	Revaluation reserve	221,836,111	609,867,885
	- Available-for-sale assets	217,454,695	603,667,755
	Consolidated reserves	2,335,655,411	2,386,960,748
	- Equity method adjustment	206,718,030	215,006,563
	Income for the year	125,972,275	227,499,362
	Sub-total of equity – attributable to equity holders of the parent	2,856,989,264	3,397,853,462
	Minority interests	1,823,217	1,782,024
	Total equity	2,858,812,481	3,399,635,486
	Total Liabilities, including Equity	39,741,415,801	40,493,377,632
	Statement of no material adverse change		
	There has been no material adverse change in the prospects of the Issuer since 31 December 2012.		

Element	Title	
	<p>Significant Changes</p> <p>Not Applicable – There has been no significant change in the financial or trading position of the Issuer since 31 December 2012.</p>	
B.13	Events impacting the Issuer's solvency	Not Applicable – There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.
B.14	Dependence upon other group entities	Not Applicable – BCEE is not dependent upon other entities within the Group.
B.15	Principal activities	<p>BCEE is entitled to carry out, alone or jointly, either on behalf of itself or for third parties, with any physical or legal person, any financial or banking operations as well as all operations analogous, connected or accessory thereto.</p> <p>In addition, BCEE is entitled to carry out any other operations directly or indirectly related to its purpose or intended to facilitate the achievement thereof.</p> <p>The activities of the Bank are focused on the retail market, the wealth management market, as well as the property market, and on small and medium-sized corporate customers in Luxembourg and the surrounding regions. These activities include the traditional banking business areas of loans, deposits, investment in securities, payments handling (both in Luxembourg and abroad) and guarantees.</p>
B.16	Controlling shareholders	BCEE's equity capital is owned entirely and directly by the Grand Duchy of Luxembourg
B.17	Credit ratings	<p>The Programme has been rated Aa1 by Moody's France SAS (Moody's) and AA+ by Standard & Poor's Credit Market Services France SAS (Standard & Poor's). Each of Moody's and Standard & Poor's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by either of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency.</p> <p>[The Notes [have been/are expected to be] rated [<i>specify rating(s) of Tranche being issued</i>] by [<i>specify rating agent(s)</i>].</p>

Element	Title	
		<p>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.]</p> <p>[Not Applicable – No ratings have been assigned to the Issuer or its debt securities at the request of or with the co-operation of the Issuer in the rating process.]</p>

Section C – Securities

Element	Title	
C.1	Description of the type and class of Notes/ISIN	<p>The Notes described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency). The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Inflation Linked Interest Notes, Range Accrual Notes or a combination of the foregoing. The Issuer will only issue one class of Notes.</p> <p>The Notes are [£/€/U.S.\$/other] ● [●%/Floating Rate/Zero Coupon/Inflation Linked Interest /Range Accrual /Equity Linked Redemption/Index Linked Redemption] Notes due ●. International Securities Identification Number (ISIN): ●</p>
C.2	Currency	<p>Subject to compliance with all applicable laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer at the time of issue.</p> <p>The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/U.S. dollars (U.S.\$)/Other (●)].</p>
C.5	Restrictions on transferability	Not Applicable – There are no restrictions on the free transferability of the Notes.
C.8	Rights attached to the Notes, including ranking and limitations on those rights	<p>Notes issued under the Programme will have terms and conditions relating to, among other matters:</p> <p>Status and Subordination</p> <p>Notes may be issued on either a senior basis (Senior Notes) or a subordinated basis (Subordinated Notes). Notes issued on a senior basis constitute direct, unconditional, unsubordinated and (subject to the provisions of the Issuer's negative pledge below) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to</p>

		<p>be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.</p> <p>Subordinated Notes may be Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes.</p> <p>Payments in respect of any Subordinated Notes will:</p> <ul style="list-style-type: none"> • in the case of Upper Tier II Subordinated Notes, rank behind Lower Tier II Subordinated Notes, Tier III Subordinated Notes and Senior Notes. • in the case of Lower Tier II Subordinated Notes and Tier III Subordinated Notes, will rank equally with all other obligations of the Issuer that rank junior to the rights of unsubordinated or cash depositor creditors (Senior Creditors) but not to any other obligations of the Issuer (Senior Subordinated Obligations) and will rank ahead of persons whose claims are in respect of any class of equity of the Issuer, claims of the holders of Upper Tier II Subordinated Notes and creditors whose claims are in respect of any obligations of the Issuer that rank or are expressed to rank (whether only in the winding-up of the Issuer or otherwise) junior to Senior Subordinated Obligations of the Issuer, but shall be subordinated to the claims of all Senior Creditors. <p>[This Series of Notes is issued on a [senior/subordinated] basis [(Upper Tier II/Lower Tier II/Tier III) Subordinated)].]</p> <p><i>Negative pledge</i></p> <p>The terms of the Senior Notes contain a negative pledge provision which provides that so long as any of the Notes remain outstanding, the Issuer will not create or permit to be outstanding any pledge, mortgage, charge or other security interest for the benefit of the holders of any securities upon the Issuer's property or assets to secure any payments due in respect of those securities (including, <i>inter alia</i>, payments under any guarantee or indemnity), in any such case in which:</p> <ul style="list-style-type: none"> (a) either (i) such securities are originally denominated or payable, or confer a right to receive payment, in any currency other than euro; or (ii) all such securities are originally denominated or payable in euro and more than 50% of such securities is initially distributed outside Luxembourg with the authorisation of the issuer thereof; and (b) such Securities are, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange, over-the-counter or similar securities market,
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		<p>without in any such case at the same time according to the Notes, the Receipts and the Coupons the same security as is granted to or is outstanding in respect of such securities as shall be approved by an Extraordinary Resolution of the Noteholders.</p> <p>Events of default</p> <p>The terms of the Notes will contain, amongst others, the following events of default:</p> <ul style="list-style-type: none"> (a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time; (b) non-performance or non-observance by the Issuer of any of its other obligations under the conditions of the Notes, in certain cases continuing for a specified period of time; (c) events relating to the insolvency or winding up of the Issuer; and (d) the Grand Duchy of Luxembourg ceases to own, directly or indirectly, at least fifty one per cent. (51%) of the share capital of the Issuer, as fixed in article 37 of the Law dated 24 March 1989 on the Banque et Caisse d'Epargne de l'Etat, Luxembourg, as amended, of the Grand Duchy of Luxembourg. <p>Meetings</p> <p>The terms of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p>Governing law</p> <p>[English law][Luxembourg Law].</p>
C.9	Interest/Redemption	<p>Interest</p> <p>Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate, a floating rate or at a rate linked to inflation.</p> <p>[Fixed Rate: [The Notes bear interest [from their date of issue/from ●] at the fixed rate of ●% per annum.]/[The Notes bear interest as from [their date of issue/from [●]] at a rate of:</p> <p>[●]% per annum until (but excluding) [●], and</p>

		<p><i>[To be copied for further interest periods: [●]%</i></p> <p>per annum commencing on [●] until (but excluding) [●], and [●]% per annum commencing on [●], until (but excluding) the Maturity Date.] The yield of the Notes is ●%. Interest will be paid [annually] in arrear on ● in each year. The first interest payment will be made on ●.</p> <p>[Floating Rate: The Notes bear interest [from their date of issue/from ●] at floating rates calculated by reference to [LIBOR/EURIBOR] [plus/minus] a margin of ●%. Interest will be paid [semi-annually] in arrear on ● and ● in each year, subject to adjustment for non-business days. The first interest payment will be made on ●.]</p> <p>[Inflation-linked: The Notes bear interest [from their date of issue/from ●] at floating rates calculated by reference to [<i>specify inflation index</i>] [plus/minus] a margin of ●%. Interest will be paid [semi-annually] in arrear on ● and ● in each year, subject to adjustment for non-business days. The first interest payment will be made on ●.]</p> <p>[Zero Coupon: The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]</p> <p>[Range Accrual: The Notes will bear interest [from their date of issue/from ●] at the fixed rate of ●% per annum, whereby interest will accrue only on the days in which [<i>describe Range Accrual Reference Rate</i>] is (a) equal or greater than [<i>describe Lower Range</i>] and (b) equal or less than [<i>describe Upper Range</i>].</p> <p><i>Redemption</i></p> <p>The terms under which Notes may be redeemed (including the maturity date and the price at which they will be redeemed on the maturity date as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Notes.</p> <p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [●] at [par/●% of their nominal amount] or [at an amount determined in accordance with the formula specified in the [Conditions] [Final Terms]].</p> <p>The Notes may be redeemed early for tax reasons [or [<i>specify any other early redemption option applicable to the Notes being issued</i>]] at [<i>specify the early redemption price and any maximum or minimum redemption amounts, applicable to the Notes being issued</i>].</p> <p><i>Representative of holders</i></p>
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		<p>Not Applicable – No representative of the Noteholders has been appointed by the Issuer.</p> <p>Please also refer to Element C.8.</p>
C.10	Derivative component in the interest payments	[<i>specify</i>] [Not Applicable – There is no derivative component in the interest payments.]
C.11	Admission to trading on a regulated market	<p>Please also refer to Element C.9.</p> <p>Notes issued under the Programme may be admitted to trading on the regulated market of Luxembourg Stock Exchange or such other stock exchange or market specified below.</p> <p>[Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.] [The Notes are not intended to be admitted to trading on any market.]</p>
C.15	Any underlying which may affect the value of the Notes	[Not Applicable – There are no underlying instruments which may affect the value of the Notes.] [The value of the Notes may be affected by the [performance of [<i>for Equity Linked Redemption Notes</i> : [the Shares of a company] [<i>for Index Linked Redemption Notes</i> : [an Index] [a Basket of Indices] [<i>for Inflation Linked Interest Notes</i> : [<i>insert the relevant inflation index</i>]]].
C.16	Exercise date/final reference date	[Not Applicable – The Notes are not exercisable and the return on the Notes is not calculated by reference to any reference dates.] [<i>insert date</i>]
C.17	Settlement procedure of derivative securities	[Not Applicable – The Notes are not derivative securities.]/[The Notes are [not] physically settled.]
C.18	Return on derivative securities	<p>[Not Applicable – The Notes are not derivative securities.]</p> <p>[The Notes are (<i>in the case of Index Linked Redemption Notes select the relevant formula for calculation from the following:</i>) [Autocall with [Guaranteed Coupon]/[Conditional Coupon without Memory Effect]/[Conditional Coupon with Memory Effect]/[Spread]]/[Short-term] Lookback]/[Double Win]/[Triple Index]/[Asian Call] <i>/(in the case of Equity Linked Redemption Notes:)</i> Reverse Convertible]/(<i>in the case of Inflation Linked Interest Notes:</i>) [Inflation Linked Interest Notes]</p>
C.19	Exercise price/final reference price of the underlying	[Not Applicable – The Notes do not have an underlying.] [<i>insert the relevant exercise price or final reference price of the relevant underlying</i>]
C.20	Underlying	<p>[Not Applicable – The Notes do not have an underlying.]</p> <p>[The underlying of the Notes [is/are] [<i>in the case of Index Linked</i></p>

		<p><i>Redemption Notes insert the relevant index or indices and information on such index(ices) may be found on [insert relevant website, etc]]/</i></p> <p><i>[in the case of Equity Linked Redemption Notes, insert the relevant share company and information on such share company may be found on [insert relevant website, etc]]/</i></p> <p><i>[in the case of Inflation Linked Interest Notes, insert the relevant inflation index and information on such inflation index may be found on [insert relevant website, etc]]</i></p>
C.21	Admission to trading	<p>Application has been made for Notes to be admitted to trading on the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.</p> <p>[Application has been made for the Notes to be admitted to trading on [] with effect from [].]</p> <p>[The Notes are neither listed nor admitted to trading on or by any competent authority or stock exchange.]</p>

Section D – Risks

Element	Title	
D.2	Key risks regarding the Issuer	<p>In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. These factors include:</p> <ul style="list-style-type: none"> • Credit and market risks (eg creditworthiness, interest rate movements and currency movements), operational risks, risk management risks, liquidity risks and competition.
		<ul style="list-style-type: none"> • Regulatory change risk – the Issuer operates in a highly regulated environment and any change in supervision and regulation could materially affect its business,

		products or services offered or the value of its assets.
		<ul style="list-style-type: none"> The Issuer could be affected by financial market disruption particularly in the European Union.
D.3	Key risks regarding the Notes	<p>There are also risks associated with the Notes. These include:</p> <ul style="list-style-type: none"> Certain Notes have highly complex structures and are most suitable as investments for sophisticated investors, as such Notes may involve a high degree of risk. The market value and return on these Notes are usually more volatile. There may be no or only a limited secondary market in the Notes making it difficult for investors to sell their Notes at all, or to sell the Notes at a price that provides a yield comparable to other similar investments. The value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency.
		<ul style="list-style-type: none"> Any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes as such ratings may not reflect the potential impact of all risks applicable to those Notes. Accordingly, investors should not treat a credit rating on a recommendation to buy, sell or hold the Notes. Changes in interest rates may adversely affect the value of Notes which bear interest at a fixed rate if market interest rates subsequently rise, as holding the Notes will become less attractive). The conditions of the Notes may be modified without the consent of the holder in certain circumstances. Where the Agent has discretion to make such modification, it may do so without regard for the individual interests of particular investors. In certain circumstances the holder may not receive payment of the full amounts due in respect of the Notes as a result of amounts being withheld by the Issuer in order to comply with applicable tax law. Notes will not represent a claim against any underlying reference amount. The amount of interest payable in respect of certain Notes depends on a number of factors e.g. changes in the level of inflation.

		<ul style="list-style-type: none"> • Market disruption and adjustment provisions may affect the value and liquidity of Notes as well as postpone the due dates for certain payments. • The yield of certain Notes may be reduced or diminished due to a number of factors. • Investors are exposed to the risk that changes in law or regulation could adversely affect the value of Notes held by them (e.g. the UK joining the European Monetary Union and changes in the regulatory capital framework). • Investors in Subordinated Notes assume an enhanced risk of loss in the event of the Issuer's insolvency as the claims of such investors will rank behind those of Senior Creditors.
D.6	Risk warning	In the event of the insolvency of the Issuer or if it is otherwise unable or unwilling to repay the Notes when repayment falls due, an investor may lose all or part of his investment in the Notes.

Section E – Offer

Element	Title	
E.2b	Use of proceeds	<p>The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit, and may also be applied for particular uses, as determined by the Issuer.</p> <p>[The net proceeds from the issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit [and[]].</p>
E.3	Terms and conditions of the offer	<p>Under the programme, the Notes may be offered to the public in a Non-Exempt Offer in Austria, France, Luxembourg, the Netherlands, the Republic of Ireland and the United Kingdom.</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Dealers at the time of issue and specified in the applicable Final Terms. An Investor intending to acquire or acquiring any Notes in a Non-exempt Offer from an Authorised Offeror will do so, and offers and sales of such 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.</p>

		<p>[No Non-exempt Offer is being made or contemplated.</p> <p>The total amount of the [offer] [issue] is [●].]</p> <p>[This issue of Notes is being offered in a Non-exempt Offer in [specify particular country/ies.]</p> <p>The issue price of the Notes is ●% of their nominal amount.</p> <p>An offer of the Notes may be made by the Managers [, [insert names of financial intermediaries receiving consent (specific consent)] (the Initial Authorised Offerors)] [and any additional financial intermediaries who have or obtain the Issuer's consent to use the prospectus in connection with the Non-exempt Offer and who are identified on the Issuer's website at www.bcee.lu as an Authorised Offeror] (together [with any financial intermediaries granted General Consent], being persons to whom the issuer has given consent, the Authorised Offerors) other than pursuant to Article 3(2) of the Prospectus Directive in [Austria] [France] [Luxembourg] [the Netherlands] [the Republic of Ireland] [the United Kingdom]] (the Public Offer Jurisdictions) during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] (the Offer Period).</p>	
		Offer Price:	[●]
		[Conditions to which the offer is subject:]	[●]
		[Description of the application process:]	[●]
		[Details of the minimum and/or maximum amount of application:]	[●]
		[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:]	[●]
		[Details of the method and time limits for paying up and delivering the Notes:]	[●]
		[Manner in and date on which results of the offer are to be made public:]	[●]
		[Procedure for exercise of any right of pre-emption, negotiability of subscription	[●]

		rights and treatment of subscription rights not exercised:]	
		[Categories of potential investors to which the Notes are offered and whether tranche(s) has/have been reserved for certain countries:]	[●]
		[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[●]
		[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[●]
		[Name(s)] and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:]	[●]
E.4	Interest of natural and legal persons involved in the issue/offer	<p>The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also 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 its affiliates in the ordinary course of business.</p> <p>[Other than as mentioned above,[and save for ●,] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>	
E.7	Expenses charged to the investor by the Issuer or an Offeror	<p>[The Issuer may charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 0% and 7% of the nominal amount of the Notes to be purchased by the relevant investor unless specified below with respect to a specific issue of Notes.]</p> <p>[For this specific issue, expenses may be charged by the Issuer or by an Authorised Offeror (as defined above) in the range between ●% and ●% of the nominal amount of the Notes to be purchased by the relevant investor.]</p>	

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

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.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

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

Like all other banks the Issuer is mainly exposed to credit risk and market risk (eg interest rate movements and currency movements).

These risk factors are addressed by the Issuer's own risk management procedures and exposures are constantly measured and supervised.

Credit risk

As a credit institution, the Issuer is exposed to the creditworthiness of its customers and counterparties. The Issuer may suffer losses related to the inability of its customers or other counterparties to meet their financial obligations. Most of the commitment decisions concern customers in the local government sector, which is low risk and also subject to specific controls relating to its public nature. The Issuer cannot assume that its level of provisions will be adequate or that it will not have to make significant additional provisions for possible bad and doubtful debts in future periods.

Market risk

Market risks are all the risks linked to the fluctuations of market prices, including, principally, exposure to loss arising from adverse movements in interest rates, and, to a lesser extent, foreign exchange rates and equity prices, stemming from the Issuer's capital market activities. Due to the nature of its activity, the Issuer is prevented from assuming significant exposure to market risk. It does not act as a market maker and therefore has exposure mainly on its short-term cash management and a portfolio of derivative products with customers that is managed on a market value basis. Market risks generated by the commercial businesses are generally hedged and residual risks are handled by the Asset and Liability Management function.

Operational risk

Operational risk is the risk of financial or non-financial impact resulting from inadequate or failed internal processes or systems, from people's failings or from external events. The definition includes IT, legal and compliance risk but excludes strategic risk. The operational risk management (**ORM**) framework relies on several key components, which include the systematic collection of operational

risk events, the yearly self-assessment of risks and controls in all activities, the management of information security and business continuity, as well as the management of group common insurance policies. All of these activities regularly lead to the definition of improvement actions, which are monitored on a regular basis. Moreover the framework relies on strong governance with clearly defined roles and responsibilities for the ORM function, the Management Board, the line management and their operational risk correspondents. As with most other banks, the Issuer relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Issuer's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems. The Issuer cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions could have a material adverse effect on the Issuer's financial condition and results of operations.

Soundness of other Financial Institutions – counterparty risks

The Issuer is exposed to many different counterparties in the normal course of its business; hence its exposure to counterparties in the financial services industry is significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks, investment banks and mutual funds. Many of these relationships expose the Issuer to credit risk in the event of default of a counterparty or client. In addition, the Issuer's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover, which could in turn affect the Issuer's ability to meet its payments under the Notes. Many of the hedging and other risk management strategies utilised by the Issuer also involve transactions with financial services counterparties. The risk of insolvency in relation to these counterparties may impair the effectiveness of the Issuer's hedging and other risk management strategies, which could in turn affect the Issuer's ability to meet its payments under the Notes.

Liquidity risk

The objective of liquidity management is to ensure that, at all times, the Issuer holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties, at an economic price. All the main issues regarding liquidity risk are directly managed by the Issuer's Asset and Liability Management function, which carefully manages the Issuer's resources and their use, in particular, the adequacy of expected new lending production with the available resources and the Issuer's liquidity needs.

Risk Management

Monitoring of the risks relating to the Issuer and its operations and the banking industry is performed jointly by the appropriate committees and the Risk Management department, with the help of tools that it develops, in compliance with all legal constraints and rules of prudence. As regards the supervision of risks in the subsidiaries and branches, each entity has its own local risk management structure. These structures are strictly independent of the front-offices and reporting to the Issuer's Local Risk Management department either directly (branches) or functionally (subsidiaries).

Regulatory change risk

The Issuer operates in the financial services sector which is a highly regulated environment. The regulatory environment may change significantly in the future in response to the banking crisis which commenced in late 2008. Changes in supervision and regulation in the European Union and

Luxembourg in particular could materially affect the Issuer's business, the products and services offered or the value of its assets.

The Issuer may be impacted by financial market disruptions

The Issuer's operating and financial performance is influenced by the economic conditions of the countries in which it operates, particularly in the European Union. A continuation or worsening of the current strained global economic conditions and the volatility of the international markets could result in a general reduction of business activity and consequent loss of income for the Issuer.

Competition

The Issuer faces strong competition across all its markets from local and international financial institutions including banks, life insurance companies and mutual insurance organisations. While the Issuer believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect the Issuer in one or more of the markets in which it operates.

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

Global Financial Crisis and Eurozone Debt Crisis

Since mid-2007, the global economy and financial markets have experienced serious difficulties, including extreme levels of instability, liquidity stress and disruption. There is substantial volatility in markets across asset classes, including (without limitation) stock markets, foreign exchange markets, commodity markets, fixed income markets and credit markets.

These conditions exert downward pressure on asset prices and on credit availability, and upward pressure on funding costs. The impact of this, and the continuation of or deterioration in the condition of the global economy and financial markets could be detrimental to the Issuer and could adversely affect the ability of the Issuer to meet its obligations under the Notes under its debt obligations more generally.

There can be no assurance that the steps taken by governments to ameliorate the eurozone crisis or the global financial crisis will be successful or that these crises will not worsen. The structure, nature and regulation of financial markets in the future may be fundamentally altered as a consequence of these crises, possibly in unforeseen ways.

There can be no assurance that similar or greater disruption to global markets and economies may not occur in the future for similar or other reasons. Equally, there can be no assurance as to how severe the global recession will be or as to how long it will last. Therefore, economic prospects are subject to considerable uncertainty.

Prospective investors should ensure that they have the necessary knowledge and awareness of the current global financial and eurozone crises, and the economic situation and its uncertain outlook, to enable them to make their own evaluation of the risks and merits of an investment in the Notes.

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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has 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;
- (b) has 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;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) 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 advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Some Notes are complex financial instruments and such instruments may be purchased 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 the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the complex structure of certain Notes

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

An investment in the Notes may involve a high degree of risk, including the risk that the entire amount invested may be lost. The Issuer, will invest in and trade securities and other financial instruments using a variety of investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity and fixed-income markets, the risks of borrowings and short sales, the risks arising from leverage associated with trading in the equity, currency and OTC derivative markets, the illiquidity of derivative instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the investment in Notes will be a successful one. The Issuer may utilise investment techniques such as option transactions, margin

transactions, short sales, leverage, derivatives trading and futures and forward contracts to hedge payments due under the Notes, which practices could adversely affect the value of the Notes.

Short selling technique may be used to provide indexation of payments under the Note. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to benefit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Structured Notes

An investment in Notes, the premium and/or the interest on or principal of which is determined by reference to one or more values of interest rates, shares or other indices or formulae, either directly or inversely, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security at the same time and/or that an investor may lose the value of its entire investment or part of it, as the case may be. Neither the current nor the historical value of the relevant interest rates, shares or other indices or formulae should be taken as an indication of future performance of such interest rates, shares or other indices or formulae during the term of any Notes.

Risks related to the structure of a particular issue of Notes

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

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

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

The Issuer may be expected to redeem 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.

There are particular risks associated with an investment in certain types of Notes such as Index Linked Redemption Notes and Inflation Linked Interest Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it

The Issuer may issue Notes with principal or interest determined by reference to an index (including an inflation index) or formula, to changes in the prices of securities or commodities, to movements

in currency exchange rates or other factors (each, a **Relevant Factor**). Potential investors should be aware that:

- (a) the market price of such Notes may be very volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices or may cease to exist or be published;
- (f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Redemption Notes or Inflation Linked Interest Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Redemption Notes or Inflation Linked Interest Notes and the suitability of such Notes in light of their particular circumstances.

No Claim against any Underlying Reference

A Note will not represent a claim against any underlying reference asset(s) (**Underlying Reference(s)**) to which the amount of principal and/or interest payable or amount of specified assets deliverable in respect of the Notes is dependent and, in the event that the amount paid by the Issuer or value of the specified assets delivered on redemption of the Notes is less than the principal amount of the Notes, a Noteholder will not have recourse under a Note to any Underlying Reference. In addition, investing in a Note will not entitle the Noteholder to benefit from a voting right (if any) attached to an Underlying Reference.

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

Limited Exposure to Underlying Reference

If the applicable Final Terms (or Pricing Supplement in the case of Exempt Notes) provide that the exposure of any Index Linked Redemption Notes, Equity Linked Redemption Notes, Inflation Linked Interest Notes, and other Notes linked to one or more Underlying References is limited or capped to a certain level or amount, such Notes will not benefit from any upside in the value of any such Underlying References beyond such limit or cap.

The particular risks involved in an investment in Index Linked Redemption Notes include volatility, effects of leverage and the loss of part of or all principal amount invested

The Issuer may issue Notes where the amount of principal payable is dependent upon the level of an index or indices, or upon a formula encompassing a combination of a number of components, which can be indices or securities or derivatives or any other component (**Index Linked Redemption Notes**).

Potential investors in any such Notes should be aware that depending on the terms of the Index Linked Redemption Notes (i) payment of principal may occur at a different time than expected and (ii) they may lose all or a substantial portion of their investment.

If the amount of principal payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the index or the indices or the components of the formula on principal payable will be magnified. The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of the index or indices or of any component of the formula. The level of the index, indices, components or the formula may be affected by the economic, financial and political events in one or more jurisdictions, including but not limited to the stock exchange(s) or quotation system(s) on which any securities comprising the index, indices or the formula may be traded.

Investors in Equity Linked Redemption Notes are exposed to volatility risks, leverage risks or performance of the share risks

The Issuer may issue Notes where the amount of principal payable is dependent upon the price of, or changes in the price of, share(s) or where, depending on the price of or change in the price of shares, on redemption the Issuer's obligation is to deliver specified assets (**Equity Linked Redemption Notes**).

Potential investors in any such Notes should be aware that depending on the terms of the Equity Linked Redemption Notes (i) payment of principal or delivery of any specified assets may occur at a different time than expected and (ii) they may lose all or a substantial portion of their investment.

If the amount of principal payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the share(s) on principal payable will be magnified.

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

There are specific risks associated with an investment in Inflation Linked Interest Notes

The Issuer may issue Notes where the amount of interest payable is dependent upon changes in the level of inflation (**Inflation Linked Interest Notes**).

Potential investors in any such Notes should be aware that depending on the terms of the Inflation Linked Interest Notes (i) they may receive no or a limited amount of interest, (ii) payment of interest may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment. In addition, the movements in the level of inflation or any component of the formula may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices or similar components and the timing of changes in the relevant level of

inflation or the components of the formula may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the level of inflation or result of a formula, the greater the effect on yield.

If the amount of interest payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of inflations or the components of the formula on interest payable will be magnified. The market price of such Notes may be volatile and may depend on the time remaining to the redemption date and the volatility of the level of inflation or of any component of the formula. The level of inflation, components or the formula may be affected by the economic, financial and political events in one or more jurisdictions, including but not limited to the stock exchange(s) or quotation system(s) on which any securities comprising the inflation level or the formula may be traded.

In addition, the decision to purchase Inflation Linked Interest Notes involves complex financial appreciations and risks as the inflation cannot be foreseen with any degree of certainty. The yield of Inflation Linked Interest Notes may be lower than the yield of non-inflation linked interest notes. The Issuer makes no representation as to the tax treatment of such Notes or as to the lawfulness of the purchase of such Notes in any jurisdiction.

Market Disruption and adjustments provisions may affect the value and liquidity of the Notes as well as postpone due dates for payment

If an issue of Index Linked Redemption Notes, Equity Linked Redemption Notes, Inflation Linked Interest Notes or other notes linked to an Underlying Reference includes provisions dealing with the occurrence of a Market Disruption Event or any other event, however defined, set out under Conditions 19 to 21 and affecting such Note (a **Disruption Event**) on a Valuation Date, Observation Date, Averaging Date or any other relevant date and the Calculation Agent determines that a Disruption Event has occurred or exists on such Valuation Date, Observation Date, such Averaging Date, any consequential postponement of the Valuation Date, Observation Date or Averaging Date or any other relevant date, alternative provisions for valuation provided in any such Notes may have an adverse effect on the value and liquidity of such Notes. The timing of such dates (as scheduled or as so postponed or adjusted) may affect the value of the relevant Notes such that the Noteholder may receive a lower cash redemption amount and/or interest amount or other payment under the relevant Notes than otherwise would have been the case. The occurrence of such a Disruption Event in relation to any Underlying Reference comprising a basket may also have such an adverse effect on Notes related to such basket. In addition, any such consequential postponement may result in the postponement of the relevant due date for payment under the Notes and/or Maturity Date.

Physical Delivery Notes involve specific risks linked to the occurrence of a Settlement Disruption Event

The value of Notes to be settled by way of physical delivery may be affected and/or the settlement of such Notes may be delayed if in the opinion of the Calculation Agent, delivery of the Asset Amount (being the amount of relevant asset relating to each Note as set out in the Final Terms (or Pricing Supplement in the case of Exempt Notes)) using the method of delivery specified in the applicable Final Terms (or Pricing Supplement in the case of Exempt Notes), or such other commercially reasonable manner as the Calculation Agent has determined, is impracticable because a Settlement Disruption Event has occurred and is continuing on the Delivery Date. A Settlement Disruption Event is an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, delivery of the specified assets to be delivered by or on behalf of the Issuer is not practicable.

Variable rate Notes with a multiplier or other leverage factor

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

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

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

Risks in relation to the interest derived on Range Accrual Notes

Investors should also note that the Coupon Amount payable in respect of Range Accrual Notes will depend on the frequency with which the Range Accrual Reference Rate falls between Lower Range and the Upper Range during the relevant Interest Period. The fewer the number of days the Range Accrual Reference Rate falls in this range during the relevant Interest Period, the lower the relevant interest in respect of such Interest Period. As a result, the interest amounts payable in respect of the Range Accrual Notes (and therefore the market value of the Range Accrual Notes) may be more volatile than for securities that do not include this feature.

Zero Coupon Notes are subject to higher price fluctuations than non-discounted notes

Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Notes than on the prices of ordinary notes because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Notes can suffer higher price losses than other notes having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Notes are a type of investment associated with a particularly high price risk

Notes issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

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

A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes.

For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder, as the case may be, of its investment in the Notes

Payments of interest on the Notes, or profits realised by the Noteholder, as the case may be, upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on Noteholders generally is described under "Taxation" below; however, the tax impact on an individual Noteholder may differ from the situation described for Noteholders generally. The Issuer advises all investors to contact their own tax advisers for advice on the tax impact of an investment in the Notes.

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency

The Issuer's obligations under the Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. Senior Liabilities means all of the Issuer's liabilities which constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Dated Subordinated Notes which are Upper Tier II Subordinated Notes will be redeemed at maturity only with the prior approval of the CSSF.

Under certain conditions, payments of principal or interest may or must be deferred. In such cases, investors may experience a significant delay in receiving any interest due under the Notes and, in extreme cases, may lose their entitlement to interest

Tier III Subordinated Notes

If in making any payment of principal and interest on its due date, the Issuer would, after making such payment, be in breach of its Integrated Capital Adequacy Ratio (as defined in Condition 5.8(a)), then the Issuer must defer the payment of any principal or interest on the Tier III Subordinated Notes.

The Issuer will pay any Payment Arrears or Additional Interest (as defined in Condition 5.8(b) and Condition 5.8(c) respectively) on all Tier III Subordinated Notes outstanding as soon as, after giving effect to such payments, it no longer would be required to defer payments of principal or interest under the terms described above.

Non-payment under Subordinated Notes

Principal and interest due under Upper Tier II Subordinated Notes (*fonds propres complémentaires*) within the meaning of circular 06/273 as amended may be used by the Issuer in certain circumstances to absorb its losses.

If the Issuer does not make payment for a period of seven days or more after the due date for the payment of principal or for a period of 14 days or more after an Interest Payment Date for the payment of interest due in respect of any of the Subordinated Notes on such date, Noteholder(s) of Subordinated Notes have limited rights against the Issuer in the event of any such failure to pay (see Condition 9.2).

Any deferral of interest payments will likely have an adverse effect on the market price of the Subordinated Notes. In addition, as a result of the interest deferral provision of the Subordinated Notes, the market price of the Subordinated Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Risks applicable to certain types of Exempt Notes

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

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

Inverse Floating Rate Notes

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

Risks related to Notes generally

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Agent which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

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

The conditions of the Notes also provide that the Agent may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (a) any modification of any of the provisions 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 or (b) the substitution of another

company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 or Condition 16, as the case may be.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

Basel Capital Requirements Regulation and Capital Requirements Directive

On 17 December 2009, the Basel Committee on Banking Supervision (the **Basel Committee**) proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". Following the proposals made by the Basel Committee, on 20 July 2011 the European Commission published the official proposal for the CRR and the official proposal for a directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (**CRD IV**), implementing into EU legislation the provisions of the Basel III agreement. The proposals made by the Basel Committee and the European Commission will be implemented from 2014 onwards with the result of the Bank being subject to stronger capital requirements. On 16 April 2013, the European Parliament adopted a legislative resolution on the CRR and the CRD IV. The CRR and CRD IV rules must be formally approved by the European Council and will apply from 1 January 2014, if publication of the CRR and CRD IV takes place in the Official Journal by 30 June 2013, or from 1 July 2014 if publication takes place after such date.

The CRR proposals concern the following points:

- Management of liquidity risk:
 - To improve short-term resilience of the liquidity risk profile of financial institutions, a Liquidity Coverage Ratio (**LCR**) will be introduced after an observation and review period in 2015. LCR would require institutions to match net liquidity outflows during a 30 day period with a buffer of 'high quality' liquid assets. The outflows covered (the denominator) would reflect both institution-specific and systemic shocks built upon actual circumstances experienced in the global financial crisis. The provisions on the list of high quality liquid assets (the numerator) to cover these outflows should ensure that these assets are of high credit and liquidity quality.
 - To address funding problems arising from asset-liability maturity mismatches, the Commission will consider proposing a net stable funding ratio after an observation and review period in 2018.
- Definition of capital:
 - The proposals build upon the changes made in directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management to strengthen further the criteria for eligibility of capital instruments. Furthermore, it introduces significant harmonisation of the adjustments made to accounting equity in order to determine the amount of regulatory capital that it is prudent to recognise for regulatory purposes.

- The new requirements for going concern regulatory capital - common equity tier 1 and tier 1 capital - would be implemented gradually between 2014 and 2015. The new prudential adjustments would also be introduced gradually, 20% per annum from 2014, reaching 100% in 2018.
- Counterparty credit risk:
 - Institutions will be subject to an additional capital charge for possible losses associated with the deterioration in the creditworthiness of a counterparty.
 - Risk weights on exposures to financial institutions relative to the non-financial corporate sector will be raised.
 - The proposals also enhance incentives for clearing over-the-counter instruments through central counterparties.
- Leverage ratio:
 - In order to limit an excessive build-up of leverage on credit institutions' balance sheets and thus help contain the cyclicity of lending, the proposals also introduce a non-risk-based leverage ratio. It is designed as an instrument for the supervisory review of institutions. From 1 January 2015, institutions will be required to disclose their leverage ratio. The impacts of the ratio will be monitored with a view to migrating it to a binding pillar one measure in 2018, based on appropriate review and calibration, in line with international agreements.
- Single rule book:
 - the proposals harmonise divergent national supervisory approaches by removing options and discretions almost altogether. Some specific well defined areas, where divergences are driven by risk assessment considerations, market or product specificities and Member States' legal frameworks, are exempted, allowing Member States to adopt stricter rules.

According to the CRD IV proposals:

- (a) Banks must maintain two buffers composed of common equity tier 1, in addition to the minimum regulatory capital under Pillar 1 plus any specific capital add-on required under Pillar 2:
 - A capital conservation buffer of 2.5 per cent. of risk weighted assets, which will be implemented fully as at 1 January 2019; and
 - A countercyclical capital buffer, which can be set by national authorities for loans provided to natural and legal persons within their Member State and which can be set between 0% and 2.5% of risk weighted assets and has to be met by capital of highest quality likewise. If justified, authorities can even set a buffer beyond 2.5%.
- (b) Banks must calculate own funds requirements for Credit Value Adjustment (CVA) risk for all OTC derivatives both in the banking and in the trading books.
- (c) From 1 January 2013, banks have to calculate and to report to regulators a leverage ratio. From 1 January 2015, banks will have to disclose their leverage ratio and its components. The leverage ratio will also be an indicator for the regulatory assessment of the leverage risk

in the framework of Pillar 2. From 1 January 2013 to 30 June 2016, the European Banking Authority will conduct a detailed impact study assessing the adequacy of imposing a binding leverage ratio in the Pillar 1, or else to keep it as a Pillar 2 monitoring tool.

- (d) The phasing out of hybrid capital instruments as tier 1 capital and the requirement that the predominant form of Tier 1 capital must be common shares and retained earnings; and
- (e) The imposition of global minimum liquidity standards that include a requirement to hold a stock of unencumbered high quality liquid assets sufficient to cover cumulative net cash outflows over a 30-day period under a prescribed stress scenario.

Moreover, the Bank maintains a regulatory watch on all the aspects of the Basel III reform, and regularly participates in discussions with the regulator.

The higher capital requirements and higher demands on liquidity will likely result in the Bank, in common with other financial institutions, incurring substantial costs in monitoring and complying with these new requirements, which may also adversely affect the business environment in the financial sector. Furthermore, discussions are ongoing globally and in the EU concerning recovery and resolution regimes for credit institutions and investment firms, including the possible introduction of so-called "bail-in" capital, and ringfencing of specific activities, as well as the introduction of a single supervisory mechanism and a full banking union in the euro area. If implemented, these new requirements and supervisory structures may impact existing business models.

Loss absorption at the point of non-viability

The Basel Committee has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in its papers released on 16 December, 2010 and on 13 January 2011 (the **January 2011 Press Release**).

The January 2011 Press Release states that the terms and conditions of all non-common tier 1 and tier 2 instruments must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into ordinary shares upon the occurrence of a specified trigger event (a **Non-Viability Event**). The Non-Viability Event will be the earlier of (a) a decision that a write-off, without which the firm would become non-viable, is necessary; and (b) the decision to make a public sector injection of capital, without which the financial institution would become non-viable, as determined by the relevant authority.

However, the January 2011 Press Release also states that it is not necessary to include a provision in the terms of the Notes which requires them to be converted into equity or written off on the occurrence of a Non-Viability Event in the contractual terms of the instruments if (a) the governing jurisdiction of the bank has in place laws that (i) require such instruments to be written off upon the occurrence of such trigger event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss; (b) a peer group review confirms that the jurisdiction so conforms; and (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to such loss.

Further, on 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the Recovery and Resolution Directive or **RRD**). The stated aim of the draft RRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The presidency of the Council of the European Union published its compromise version of the European Commission's proposal on 28 February 2013.

In the draft RRD, the powers provided to the authorities designated by Member States to apply the resolution tools and exercise the resolution powers set forth in the RRD (**resolution authorities**) include write-down powers to ensure that relevant capital instruments (including Tier 2 capital instruments) fully absorb losses at the point of non-viability of the issuing institution, as well as a bail-in tool comprising more general powers for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (see also "*Bail-in tool under the RRD*" below). Accordingly, the draft RRD contemplates that resolution authorities may require the permanent write-down in full of such capital instruments or the conversion of them into common equity Tier 1 instruments at the point of non-viability (which common equity Tier 1 instruments may also be subject to any application of the bail-in tool) and before any other resolution action is taken (the **RRD Loss Absorption Requirement**).

For the purposes of the RRD Loss Absorption Requirement, the point of non-viability under the draft RRD is the point at which the relevant authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable. The draft RRD states that the fact that the instruments are to be written down or converted by the appropriate authority should be recognized in the terms governing the relevant capital instrument.

The draft RRD contemplates that it will be implemented in Member States with effect from 1 January 2015, which implementation would include the RRD Loss Absorption Requirement but not the bail-in tool (see "*Bail-in tool under the RRD*"), which is scheduled for implementation as of 1 January 2018. The draft RRD currently represents the only official proposal for the implementation in the European Economic Area of the non-viability requirements set out in the January 2011 release (the **Basel III Non-Viability Requirements**), however Recital 27 of the draft CRR currently provides that if European Union legislation governing the requirement that capital instruments should be fully and permanently written down to zero or converted into Common Equity Tier 1 instruments in the event that an institution is no longer considered viable has not been adopted by 31 December 2015, then the European Commission should review and report on whether such a provision should be included in the CRR and, in light of that review, come forward with appropriate legislative proposals. It is currently unclear whether the RRD Loss Absorption Requirement will apply on implementation to capital instruments that are already in issue or whether certain grandfathering rules will apply. If and to the extent that the draft RRD is implemented retrospectively so as to apply to capital instruments that are already in issue, such capital instruments will be subject to the provisions of the RRD (including the RRD Loss Absorption Requirement). Subject to such implementation, the capital instruments that are already in issue may, therefore, be subject to write-down or loss absorption at the point of non-viability or otherwise on any bail-in, which may result in holders of such capital instruments losing some or all of their investment. The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of any such capital instruments of the Bank, including any Notes issued under the Programme subject to the RRD.

In addition to the RRD Loss Absorption Requirement, the draft RRD provides resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation): (i) directing the sale of the bank or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transferring all or part of the business of the bank to a "bridge bank" (a publicly controlled entity) and (iii) transferring the impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time. (iv) replacing or substituting the bank as obligor in respect of debt instruments, (v) modifying 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/or (vi) discontinuing the listing and admission

to trading of financial instruments. As of the date of this Base Prospectus, the draft RRD is not in final form and changes may be made to it in the course of the legislative process. Accordingly, it is not yet possible to assess the full impact of the draft RRD. There can be no assurances that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated or as finally reflected in it (including any earlier implementation of the Basel III Non-Viability Requirements in Luxembourg) would not adversely affect the price or value of an investment in Notes subject to the provisions of the RRD and/or the ability of the Bank to satisfy its obligations under such Notes. Prospective investors in the Notes should consult their own advisers as to the consequences of the implementation of the RRD and Basel III.

Although the terms and conditions of the Subordinated Notes do not contain a provision which requires them to be converted into equity or written off on the occurrence of a Non-Viability Event, it is possible that there could be amendments to the existing Luxembourg laws and regulations on the financial sector, including, without limitation, the law of 5 April 1993 on the financial sector, as amended, and implementing CSSF circulars, or further legislation passed that could result in such Subordinated Notes absorbing losses in the course of any such resolution. The application of any such legislation may have an adverse effect on the position of holders of Subordinated Notes.

Bail-in tool under the RRD.

A bail-in tool (which comprises a general power for resolution authorities to write-down the claims of certain unsecured creditors (which may include holders of Notes, whether unsubordinated or subordinated) of a failing institution or to convert such debt claims to equity, which may itself be subject to write-down) is expected to be implemented under the RRD by 1 January 2018. The bail-in tool can be used to recapitalise an institution that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. If the RRD is implemented in its current form, such bail-in tool could be used to impose losses on holders of Notes where the relevant notes mature after the implementation of the bail-in tool. This may result in holders of Notes losing some or all of their investment. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of the Notes (including retrospectively, if and to the extent the draft RRD is implemented retrospectively so as to apply to the Notes). However, the draft RRD is not in final form and changes may be made to it in the course of the legislative process. Until fully implemented, the Bank cannot predict the precise effects of the bail-in tool and its use in relation to the Notes.

EU Crisis Management Directive

The European Commission has published proposals for a crisis management directive which is intended to enable a range of actions to be taken by relevant regulatory authorities in relation to credit institutions and investment firms which are considered to be at risk of failing. The full scope of the directive and its impact on the Issuer is currently unclear but the implementation of the directive or the taking of any action under it could materially affect the value of any Notes.

On 6 June 2012, the European Commission published a draft legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Crisis Management Directive** or **CMD**). The stated aim of the draft CMD is to provide resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' contributions to bank bail-outs and/or exposure to losses. The powers provided to authorities in the draft CMD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a firm's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of a firm presents a concern as regards the general public interest, a clear means to

reorganise or wind down the firm in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses.

The draft CMD currently contains four resolution tools and powers:

- (a) sale of business – enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply;
- (b) bridge institution - enables resolution authorities to transfer of all or part of the business of the firm to a "bridge bank" (a public controlled entity);
- (c) asset separation - enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and
- (d) bail-in - gives resolution authorities the power to write-down the claims of unsecured creditors of a failing institution and to convert debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail-in tool).

The draft CMD currently contemplates that it will be implemented in Member States with effect from 1 January 2015, except for the bail-in tool, which is contemplated to be implemented by 1 January 2018. The powers currently set out in the draft CMD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative process. Accordingly, it is not yet possible to assess the full impact of the draft CMD on the Issuer and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in Euro (ii) the law may allow or require such Notes to be re-denominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

Withholding under the EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (**Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or a residual entity within the meaning of the Savings Directive resident or established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013 the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a 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, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

U.S. Foreign Account Tax Compliance Withholding

The U.S. **Foreign Account Tax Compliance Act** (or **FATCA**) imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems (see "*Taxation – Foreign Account Tax Compliance Act*"). 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. The Issuer's obligations under the Notes are discharged once the Paying Agent has paid the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*."

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law and Luxembourg law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or Luxembourg law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

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

If such Notes in definitive form 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.

Risks related to the market generally

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

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

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

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

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

Currency-equivalent value of the principal payable on the Notes and (c) 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 to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or 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, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) 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 ESMA on its website 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 is set out on the cover of this Prospectus.

Interests of the Dealers

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 for, the Issuer and its 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 or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer 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.

IMPORTANT INFORMATION RELATING TO NON-EXEMPT OFFERS OF NOTES

Restrictions on Non-exempt offers of Notes in Relevant Member States

This Prospectus has been prepared on a basis that permits Non-exempt Offers of Notes. However, any person making or intending to make a Non-exempt Offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) may only do so if this Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" and the conditions attached to that consent are complied with by the person making the Non-exempt Offer of such Notes.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

In the context of a Non-exempt Offer of such Notes, the Issuer accepts responsibility, in the jurisdictions to which the consent to use the Prospectus extends, for the content of this Prospectus under section Article 6 of the Prospectus Directive in relation to any person (an **Investor**) who acquires any Notes in a Non-exempt Offer made by any person to whom the Issuer has given consent to the use of this Prospectus (an **Authorised Offeror**) in that connection, provided that the conditions attached to that consent are complied with by the Authorised Offeror. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Non-exempt Offer by any offeror and the Issuer has not consented to the use of this Prospectus by any other person in connection with any Non-exempt Offer of Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Non-exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Non-Exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

Consent

In connection with each Tranche of Notes and subject to the conditions set out below under "*Common Conditions to Consent*":

- (a) the Issuer consents to the use of this Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Notes 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.bcee.lu) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer;
- (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 Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Notes by any financial intermediary which satisfies the following conditions:
 - (i) it is authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC); 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 Notes] (the **Notes**) described in the Final Terms dated [insert date] (the **Final Terms**) published by Banque et Caisse d'Epargne de l'Etat, Luxembourg (the **Issuer**). We hereby accept the offer by the Issuer of its consent to our use of the Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in accordance with the Authorised Offeror Terms and subject to the conditions to such consent, each as specified in the Prospectus, and we are using the Prospectus accordingly."

The **Authorised Offeror Terms** are that the relevant financial intermediary:

- (A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:
 - I. 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**) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor, and will immediately inform the Issuer 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;
 - II. comply with the restrictions set out under "*Subscription and Sale*" in this Prospectus which would apply as if it were a Dealer;

- III. 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 Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- IV. hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
- V. 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 Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- VI. 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 relevant Dealer, the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the relevant Dealer;
- VII. ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer 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;
- VIII. co-operate with the Issuer and the relevant Dealer in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) upon written request from the Issuer 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 or the relevant Dealer:
 - (a) in connection with any request or investigation by any regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or
 - (b) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer 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
 - (c) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or as to allow the Issuer or the relevant Dealer fully to comply with 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;

- IX. during the primary distribution period of the Notes:
- (a) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer);
 - (b) only sell the Notes for settlement on the Issue Date specified in the relevant Final Terms;
 - (c) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer);
 - (d) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and
 - (e) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;
- X. either (a) obtain from each potential Investor an executed application for the Notes, or (b) 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 Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
- XI. ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- XII. comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements relevant to the Non-exempt Offer as specified in the applicable Final Terms;
- XIII. make available to each potential Investor in the Notes the 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 Prospectus; and
- XIV. if it conveys or publishes any communication (other than the Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt 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 and the relevant Dealer accepts any responsibility for such communication and (c) does not, without the prior written consent of the Issuer, or the relevant

Dealer (as applicable), use the legal or publicity names of the Issuer 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 Notes on the basis set out in the Prospectus;

- (B) agrees and undertakes to indemnify each of the Issuer 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 or the relevant Dealer; and
- (C) agrees and accepts that:
- I. the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Prospectus with its consent in connection with the relevant Non-exempt 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;
 - II. subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a **Dispute**) and the Issuer and the financial intermediary submit to the exclusive jurisdiction of the English courts;
 - III. for the purposes of (C)(II) and (IV), 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;
 - IV. this paragraph (IV) is for the benefit of the Issuer and each relevant Dealer. To the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (a) proceedings in any other court with jurisdiction; and (b) concurrent proceedings in any number of jurisdictions; and
 - V. 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 Offeror falling within (a) above who meets all of the conditions set out in (b) and the other conditions stated in *Common Conditions to Consent* below and who wishes to use this Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified at paragraph (b)(ii).

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 during the Offer Period specified in the applicable Final Terms;
- (b) only extends to the use of this Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Austria, France, Luxembourg, the Netherlands, the Republic of Ireland and the United Kingdom, as specified in the applicable Final Terms; and
- (c) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

The only Relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (b) above, will be Austria, France, Luxembourg, the Netherlands, the Republic of Ireland or the United Kingdom and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Austria, France, Luxembourg, the Netherlands, the Republic of Ireland or the United Kingdom, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH 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 ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER OR ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

OVERVIEW OF CONSOLIDATED FINANCIAL INFORMATION

The following information presents an overview of relevant financial consolidated data in relation to the Issuer extracted without material adjustments from its audited consolidated annual accounts for the financial years ended 31 December 2012 and 2011 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (**IFRS**). These financial consolidated data should be read in conjunction with the respective financial statements which are incorporated in this Prospectus by reference.

Overview of Consolidated Financial Information of the Issuer (amounts in thousands of euro)

	<u>31 December 2011</u>	<u>31 December 2012</u>
Total Assets	39,741,416	40,493,378
Deposits measured at amortised cost – Customers and public sector	24,324,264	24,473,545
Total Equity – Group share	2,856,989	3,397,853
Debt Certificates issued	7,277,048	7,385,931
Operating Income	469,987	561,989
Net Income	127,344	228,901

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated annual accounts of the Issuer for the financial year ended 31 December 2012 (in French), together with the independent auditor's report thereon, including the information set out at the following pages in particular:

Balance Sheet	Pages 22 to 24
Income Statement	Pages 25 to 26
Comprehensive Income Statement	Page 26
Changes in Equity Statement	Page 27
Cash Flow Statements	Pages 28 to 30
Notes to the Annual Accounts	Pages 31 to 121
Independent Auditor's Report	Pages 19 to 21
List of subsidiaries included in the consolidation scope	Pages 35 to 36

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 Commission Regulation (EC) 809/2004;

- (b) the audited consolidated annual accounts of the Issuer for the financial year ended 31 December 2011 (in French), together with the independent auditor's report thereon, including the information set out at the following pages in particular:

Balance Sheet	Pages 22 to 24
Income Statement	Pages 25 to 26
Comprehensive Income Statement	Page 26
Changes in Equity Statement	Page 27
Cash Flow Statements	Pages 28 to 30
Notes to the Annual Accounts	Pages 31 to 122
Independent Auditor's Report	Pages 19 to 21
List of subsidiaries included in the consolidation scope	Pages 35 to 36

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 Commission Regulation (EC) 809/2004;

- (c) an English translation of the original version in French of the audited consolidated annual accounts of the Issuer for the financial year ended 31 December 2012, together with the independent auditor's report thereon, including the information set out at the following pages in particular:

Balance Sheet	Pages 24 to 25
Income Statement	Pages 26 to 27
Comprehensive Income Statement	Page 27
Changes in Equity Statement	Page 28
Cash Flow Statements	Pages 29 to 31
Notes to the Annual Accounts	Pages 32 to 124
Independent Auditor's Report	Pages 22 to 23
List of subsidiaries included in the consolidation scope	Pages 34 to 35

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 Commission Regulation (EC) 809/2004, as amended. The Issuer takes responsibility for the accuracy of the translation.

Following the publication of this 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 any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained free of charge from the specified office of the Issuer. This Prospectus and each document incorporated by reference will also be published on the Luxembourg Stock Exchange's website (www.bourse.lu).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus and, in relation to the terms and conditions of a particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes and, if appropriate, a supplement to the Prospectus or a new Prospectus will be published. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this general description.

Issuer:	Banque et Caisse d'Epargne de l'Etat, Luxembourg
Description of the Programme:	Euro Medium Term Note Programme
Arranger:	Citigroup Global Markets Limited
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Goldman Sachs International J.P. Morgan Securities plc Merrill Lynch International Mizuho International plc Morgan Stanley & Co. International plc UBS Limited
Principal Paying Agent and Agent Bank:	Banque et Caisse d'Epargne de l'Etat, Luxembourg
Issuing Agent and Paying Agent:	Citibank, N.A., London Branch
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in such currencies as may be agreed between the Issuer and the relevant Dealer, including, without limitation, U.S. dollars, euro, Sterling and Japanese Yen (as indicated in the applicable Final Terms or, in the case of Exempt Notes, Pricing Supplement).
Form of Notes:	The Notes will be issued in bearer form as described in " <i>Form of the Notes</i> ".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms or, in the case of Exempt Notes, Pricing Supplement) and on redemption, and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Fixed Rate Notes may also include an interest step-up provision whereby the Rate of Interest payable increases at pre-determined periods to a pre-determined percentage per annum as indicated in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate (being either LIBOR or EURIBOR) indicated in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Index Linked Redemption Notes, Equity Linked Redemption Notes and Inflation Linked Interest Notes:

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Inflation Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as indicated in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Other provisions in relation to Floating Rate Notes:

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Range Accrual Notes:

Range Accrual Notes bear interest if a certain reference rate does not equal or exceed or fall below certain parameters, as indicated in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

Zero Coupon Notes:

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

FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will initially be represented by a temporary global Note without receipts, interest coupons or talons or, if so specified in the applicable Final Terms, a permanent global Note which, in either case will be:

- (a) if the temporary global Note and the permanent global Note are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream, Luxembourg; or
- (b) if the temporary global Note and the permanent global Note are not intended to be issued in NGN form, delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg.

Where the global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

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

On and after the date (the **Exchange Date**) which is 40 days after the date on which any temporary global Note is issued, interests in such temporary global Note will be exchangeable (free of charge) either for interests in a permanent global Note without receipts, interest coupons or talons or for definitive Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms) in each case against certification of beneficial ownership as described in the first sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a temporary global Note will not (unless exchange thereof as aforesaid is improperly withheld or refused) be entitled to collect any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*" below) the Issuing Agent shall arrange that, where a further Tranche of Notes is issued, 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 40 days (as notified by the Issuing Agent to the relevant Dealer(s)) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) 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. A permanent global Note will be exchangeable (free of charge), in whole (but not in part), for definitive Notes with, where applicable, receipts, interest coupons and talons attached either (a) upon not less than 60 days' written notice to the Agent or (b) only upon the occurrence of an Exchange Event, in each case as described therein and as specified in the applicable Final Terms. **Exchange Event** means (a) an Event of Default has occurred and is continuing, (b) the Issuer has been notified that 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 alternative clearing system is available or (c) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by the permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) may give notice to the Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date 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 global Notes and definitive Notes which have an original maturity of more than one year and on all receipts, interest coupons and talons relating to such Notes:

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

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

A Senior Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 9. In such circumstances, where any Senior Note is governed by English law and is still represented by a global Note 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 seven 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 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 28 June 2013, executed by the Issuer.

Any reference herein 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.

Under Luxembourg law, owners of interests in a global Note governed by Luxembourg law will, subject to proof of ownership of such interest, be entitled to proceed directly against the Issuer either individually or, following the appointment of a Noteholders' representative, collectively through such representative, pursuant to articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the **Companies Act 1915**) and the law of 1 August 2001 on the circulation of securities and other fungible instruments.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Prospectus or a supplement to the Prospectus, if appropriate will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS (RETAIL)

NOTES WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY), OTHER THAN EXEMPT NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of less than EUR 100,000 (or its equivalent in any other currency) issued under the Programme.

[Date]

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the U.S.\$8,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 28 June 2013 [and the supplement to the Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **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 Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Prospectus [and the supplement to the Prospectus] [is] [are] available on the website of the Luxembourg Stock Exchange (www.bourse.lu), and copies may be obtained from the Issuer's registered office at, 1-2 Place de Metz, L-2954 Luxembourg and from Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a 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 Prospectus dated [original date] [and the supplement to the Prospectus dated [date]] which are incorporated by reference in the Prospectus dated [current date]. 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 Prospectus dated [current date] [and the supplement to the Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. A summary of the Notes (which comprises the summary in the Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. Copies of such Prospectuses [and the supplement to the Prospectuses] are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained from the Issuer's registered office at, 1-2 Place de Metz, L-2954 Luxembourg and from Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

[Include whichever of the following apply or specify as "Not Applicable". 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.]

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

1. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about []][Not Applicable]

2. Specified Currency or Currencies: []

3. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
 - (c) [Units: [] Units (being the equivalent of [*insert currency*]; [*insert amount*])]

4. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]

5. (a) Specified Denominations: []
- (b) Calculation Amount: []

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

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

6. (a) Issue Date: []
- (b) Interest Commencement Date: [*specify/Issue Date/Not Applicable*]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)

7. Maturity Date: [*Fixed Rate Note – specify date/Floating Rate Note or any other Note where the Interest Period end date(s) are adjusted – Interest Payment Date*]

- falling in or nearest to [*specify month*]]
8. Interest Basis: [[]% Fixed Rate] [subject to interest rate step-up as specified below]
 [[[]month [LIBOR/EURIBOR]] +/- []% Floating Rate]
 [Zero Coupon]
 [[]% Fixed Rate Range Accrual]
 [Inflation Linked Interest]
 See paragraph 13/14/15/16/17 below
9. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at []% of their nominal amount]
 [Index Linked Redemption]
 [Equity Linked Redemption]
(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)
10. Change of Interest Basis or Redemption/Payment Basis: [*Specify the date when e.g. any fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there*] [Not Applicable]
11. Put/Call Options: [Not Applicable]
 [Investor Put]
 [Issuer Call]
 [(see paragraph 21/22)]
12. (a) Status of the Notes: [Senior/Subordinated]
(issues of Subordinated Notes are subject to the prior written consent of the Ministry of Treasury of Luxembourg)
- (b) If Subordinated Notes, whether Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes and whether such Notes will be dated or undated: [Upper Tier II Subordinated Notes/Lower Tier II Subordinated Notes/Tier III Subordinated Notes/Dated Subordinated Notes/Undated Subordinated Notes] [Not Applicable]
- (c) Date [Board] approval for issuance of Notes obtained: [[] [and [], respectively]] [Not Applicable]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular

tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
[Subject to the provisions of paragraph 17]
(insert in the case of Range Accrual Notes)
- (a) Rate(s) of Interest: []% per annum payable [in arrear on each Interest Payment Date]
[For interest step-up Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]
[]% per annum commencing on (and including) [date] until (but not including) [date]¹
[]% per annum commencing on (and including) [date] until (but not including) the Maturity Date]]
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)
- (c) Interest Period End Date(s): [] in each year [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] *specify any applicable Additional Business Centre (s)/not adjusted]*
- (d) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form)
- (e) [Initial/Final] Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]
- (f) Fixed Day Count Fraction: [Actual/360, 30/360, 360/360, Bond Basis, 30E/360, Eurobond Basis, Actual/Actual (ICMA)] *(Note that if interest is not payable on a regular basis (for example, if there are Broken Amounts specified) Actual/Actual (ICMA) will not be a suitable Fixed Day Count Fraction)*
- (g) Determination Date(s): [[] in each year] [Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue

¹ Further periods to be inserted as necessary.

date or maturity date in the case of a long or short first or last coupon)

(h) Interest rate step-up: [Applicable, for further details see paragraph 13(a) above /Not Applicable]

14. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

[Subject to the provisions of paragraph 16]
(insert in the case of Inflation Linked Interest Notes)

(a) Interest Period End Dates: [] in each year [adjusted in accordance with [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/not adjusted]

(b) Interest Payment Dates: []

(c) Additional Business Centre(s):

(i) For fixing: [] [Not Applicable]

(ii) For Interest Period End Dates: [] [Not Applicable]

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []

(f) Screen Rate Determination: [Applicable] [Not Applicable]

(i) Reference Rate: [] month [LIBOR/EURIBOR]

(ii) Interest Determination Date(s): []

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

(iii) Relevant Screen Page: []

(In the case of EURIBOR, if not Reuters

EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

- (g) ISDA Determination: [Applicable] [Not Applicable]
- (i) Floating Rate Option: []
- (ii) Designated Maturity: []
- (iii) Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Margin(s): [+/-] []% per annum
- (i) Minimum Rate of Interest: [[]% per annum] [Not Applicable]
- (j) Maximum Rate of Interest: [[]% per annum] [Not Applicable]
- (k) Day Count Fraction: [Actual/Actual
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/Actual (ICMA)
Actual/360
30/360
360/360
Bond Basis
30E/360
Eurobond Basis
30E/360 (ISDA)]
15. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: []% per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]
16. Inflation Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Screen Page: []
- (b) Formula: see Technical Annex – Part 2
- Cap Level: []%
- Floor Level: []%

- Percentage Multiplier: []%
- (c) Calculation Agent responsible for calculating the interest due: [] *(NB. Specify name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*
- (d) Cut-Off Date: []/[Not Applicable]
- (e) Related Bond: []/[Fall Back Bond]
- (f) Issuer of Related Bond: []/[Not Applicable]
- (g) Fall Back Bond: [Applicable/Not Applicable]
- (h) Index Sponsor: []
- (i) Related Bond Redemption Event: [Applicable/Not Applicable]
- (j) Scheduled Trading Day: []
17. Range Accrual Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Fixed Rate: []% per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] and any applicable Additional Business Centre(s) for the definition of Business Day]/[not adjusted]

(Amend appropriately in the case of irregular coupons)
- (c) Day Count Fraction: [Actual/360, 30/360, Bond Basis, 30E/360, Eurobond Basis, Actual/Actual (ICMA)]
- (d) Determination Dates: [[] in each year] [Not Applicable] *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (e) Additional Business Centre(s): [] [Not Applicable]
- (f) Upper Range: []%

(If the Upper Range adjusts with various periods

use the table below)

	From and including	To but excluding	Upper Range
	[]	[]	[]%
(g) Lower Range:			[]%

(If the Lower Range adjusts with various periods use the table below)

	From and including	To but excluding	Lower Range
	[]	[]	[]%
(h) Range Accrual Reference Rate:	[Screen Rate Determination]		ISDA Determination]

(A) Screen Rate Determination:

- Reference Rate: [] month [LIBOR/EURIBOR]
Reference Currency: []
- Relevant Screen Page: *(For example, Reuters EURIBOR 01)*
- Range Accrual Reference Rate Determination Date(s): [Daily Observation/specify other period]

(B) ISDA Determination:

- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(i) Calculation Agent: *[give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]*

PROVISIONS RELATING TO REDEMPTION

18. Index Linked Redemption Note Provisions: [Applicable/Not Applicable]

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

- (a) Index/Indices: []
(If more than one, refer to as $Index_1$, $Index_2$ etc)
- (b) Screen Page: (Specify if applicable, or give the sources of observation for each index)
- (c) Component Transactions: []
- (d) Formula: [Autocall with [Guaranteed Coupon]/[Conditional Coupon without Memory Effect]/[Conditional Coupon with Memory Effect] [In the case of Autocall specify **Autocall Trigger Level**: []% of the Initial Price, **Percentage Multiplier**: []% for Observation Date₍₁₎, []% for Observation Date₍₂₎ etc. **Lower Threshold Level**: []% of the Initial Price, **Lower Threshold Multiplier**: []%, **Threshold Level**: []% of the Initial Price, **Threshold Multiplier**: []% and **Final Percentage Multiplier**: []%. [In the case of Conditional Coupon specify **Coupon Trigger Level**: []% of the Initial Price]] [Autocall with Spread [In the case of Autocall with Spread specify: **Autocall Trigger Level**: []% of the Initial Price, **Multiplier**: []% and **Final Percentage Multiplier**: []%/[Lookback [In the case of Lookback specify **Multiplier**: []%, **Floor Level**: [] and x : []] [Short-term Lookback [In the case of Short-term Lookback specify **Multiplier**: []%, **Short-term Lookback Multiplier**: []%, **Cap Level**: [], **Floor Level**: [] and x : []] [Double Win [In the case of Double Win specify. **Barrier Level Multiplier**: []%, **Cap Level**: []%, **Floor Level**: [] and **Final Valuation Date**: []] [Triple Index [In the case of Triple Index specify **Multiplier**: []%] [Asian Call [In the case of Asian Call specify **Multiplier**: []%, **Cap Level**: []% and **Floor Level**: []%]
- (e) Calculation Agent responsible for calculating the redemption amount due: [] (NB. Specify name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)
- (f) Settlement Price: []
Index Currency: []
- (g) Relevant Level: [The official closing level for the Index/Indices] [the official fixing eventually calculated and/or

- published by the Index Sponsor] [the Valuation Method]
- (h) Valuation Date: []
- (i) Valuation Method: [Highest]/[Average Highest]/[Market Value]
- (j) Quotation Method: [Bid]/[Mid]/[Ask]
- (k) Quotation Amount: []/[As set out in Condition 19]
- (l) Averaging: Averaging [applies/does not apply] to the Notes.
 [The Averaging Dates are [].]
 [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
 [Modified Postponement is applicable]
(only applicable if Modified Postponement is applicable as an Averaging election)
 [Specified Maximum Days of Disruption will be equal to: []/[eight]]
(if no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)
- (m) Observation Date(s): [Observation Date₍₁₎: [], Observation Date₍₂₎: [] etc.] [Not Applicable].] [In the event that an Observation Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- (n) Early Redemption Date(s) corresponding to Observation Date(s): [Early Redemption Date₍₁₎: [], Early Redemption Date₍₂₎: [] etc.]
- (o) Observation Period: [Specify/Not Applicable]
- (p) Exchange Business Day: []
- (q) Scheduled Trading Day: []
- (r) Exchange(s) and Index Sponsor: (i) the relevant Exchange[s] [is/are] [] and
 (ii) the relevant Index Sponsor is [].
- (s) Related Exchange: [Specify/Each exchange or quotation system on which option contracts or futures contracts relating such Index is traded/All Exchanges]

- (t) Relevant Time: [Scheduled Closing Time/Any time [on the Valuation Date/during the Observation Period.] [The relevant time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] (N.B. if no Relevant Time is specified, the Valuation Time will be the Scheduled Closing Time).
- (u) Additional Disruption Events:
- [(i)] The following Additional Disruption Events apply to the Notes:
(Specify each of the following which applies.)
 [Change of Law]
 [Hedging Disruption]
 [Increased Cost of Hedging]
 [Increased Cost of Stock Borrow]
 [Loss of Stock Borrow]
- [(ii)] [The Trade Date is []. *[If no Trade Date is specified, Issue Date will be the Trade Date]*
- (N.B. only applicable if Change of Law and/or Increased Cost of Hedging is applicable)]*
- [(iii)] [The Maximum Stock Loan Rate in respect of *[specify in relation to each security/commodity comprised in an Index]* is [].
- (N.B. only applicable if Loss of Stock Borrow is applicable)]*
- [(iv)] [The Initial Stock Loan rate in respect of *[specify in relation to each security/commodity comprised in an Index]* is [].
- (N.B. only applicable if Increased Cost of Stock Borrow is applicable)]*
- (v) Market Disruption: Specified Maximum Days of Disruption will be equal to []/[eight]
- (if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)*
- (w) Knock-in Event: [Not Applicable/[]/["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Knock-in Level]]

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

[In the event that a Knock-in Determination Day is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]

- (i) Knock-in Level: [Specify]
 - (ii) Knock-in Determination Day(s): [Specify/Each Scheduled Trading Day in the Knock-in Determination Period]
 - (iii) Knock-in Period Beginning Date: [Not Applicable/specify]
 - (iv) Knock-in Period Ending Date: [Not Applicable/specify]
 - (v) Knock-in Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-in Determination Day.]
- (x) Knock-out Event: [Not Applicable/[]/["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Knock-out Level]]

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

[In the event that a Knock-out Determination Day is a Disrupted Day,

[Omission/Postponement/Modified Postponement] will apply]

- (i) Knock-out Level: [Specify]
 - (ii) Knock-out Determination Day(s): [Specify/Each Scheduled Trading Day in the Knock-out Determination Period]
 - (iii) Knock-out Period Beginning Date: [Not Applicable/specify]
 - (iv) Knock-out Period Ending Date: [Not Applicable/specify]
 - (v) Knock-out Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-out Determination Day]
- (y) Automatic Early Redemption Event: [Not Applicable/[]/["greater than"/"greater than or equal to"/"less than"/"less than or equal to"] Automatic Early Redemption Level]

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

- (i) Automatic Early Redemption Amount: [Specify/See definition in Condition 19]
 - (ii) Automatic Early Redemption Date(s): [Specify] [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] specify any applicable Additional Business Centre (s)/not adjusted]
 - (iii) Automatic Early Redemption Level: [Specify]
 - (iv) Automatic Early Redemption Rate: [Specify]
 - (v) Automatic Early Redemption Valuation Date(s): [Specify]
- [In the event that Automatic Early Redemption Date is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply]

19. Equity Linked Redemption Note Provisions: [Applicable/Not Applicable]

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

- (a) Share(s): []
 - (b) ISIN of Share(s): []
 - (c) Strike: []% of the Initial Price
 - (d) Settlement Price: [] [As set out in Condition 20]
 - [Exchange Rate: []]
 - (e) Calculation Agent responsible for calculating any amount due under the Notes: [] (NB. Specify name and address)
 - (f) Valuation Date: []
 - (g) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are []]
- [In the event that an Averaging Date is a Disrupted Day [Omission/ Postponement/ Modified Postponement] will apply]
- [Modified Postponement is applicable]
- (only applicable if Modified Postponement is applicable as an Averaging election)*

[Specified Maximum Days of Disruption will be equal to: []/[eight]]

(if no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)

- (h) Observation Date(s): [The Observation Date(s) is/are []/Not Applicable]. [In the event that an Observation Date is a Disrupted Date [Omission/Postponement/Modified Postponement] will apply]
- (i) Observation Period: [] [Not Applicable]
- (j) Exchange Business Day: []
- (k) Scheduled Trading Day: []
- (l) Exchange(s): The relevant Exchange[s] [is/are] []
- (m) Related Exchange(s): []/[Each exchange or quotation system on which option contracts or futures contracts relating to such Share are traded/All Exchanges]
- (n) Relevant Time: [Scheduled Closing Time/Any time [on the Valuation Date/during the Observation Period.] [The relevant time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] *(N.B. if no Relevant Time is specified, the Valuation Time will be the Scheduled Closing Time).*
- (o) Additional Disruption Events:
- [(i)] The following Additional Disruption Events apply to the Notes:
(Specify each of the following which applies.)
[Change of Law]
[Hedging Disruption]
[Insolvency Filing]
[Failure to Deliver]
[Increased Cost of Hedging]
[Increased Cost of Stock Borrow]
[Loss of Stock Borrow]
 - [(ii)] [The Trade Date is []].

(N.B. only applicable if Change of Law and/or Increased Cost of Hedging is applicable)]
 - [(iii)] [The Maximum Stock Loan Rate in

respect of [*specify in relation to each relevant Share*] is [].

(N.B. only applicable if Loss of Stock Borrow is applicable)

[(iv)] [The Initial Stock Loan rate in respect of [*specify in relation to each relevant Share*] is []

(NB. only applicable if Increased Cost of Stock Borrow is applicable)

(p) Market Disruption: Specified Maximum Days of Disruption will be equal to []/[eight]:

(if no Specific Maximum Days of Disruption is stated, Specified Maximum Days of Disruption will be equal to eight)

(q) Delayed Redemption on Occurrence of Extraordinary Events: [Applicable/Not Applicable]

(if not applicable, delete the remaining subparagraph of this paragraph)

[Rate for accrual of interest []/as specified in Condition 20(b)(iii)(C)]

(r) Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable/Not Applicable]

(if not applicable, delete the remaining subparagraph of this paragraph)

[Rate for accrual of interest []/as specified in Condition 20(e)(i)(C)]

20. Notice periods for Condition 6.2: Minimum period: [[] days] [Not Applicable]
Maximum period: [[] days]
[Not Applicable]

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

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [] per Calculation Amount

(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)

(c) If redeemable in part:

(i) Minimum Redemption [] [Not Applicable]
Amount:

(ii) Maximum Redemption [] [Not Applicable]
Amount:

(d) Notice periods: Minimum period: [[] days] [Not Applicable]
Maximum period: [[] days] [Not Applicable]

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

22. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [] per Calculation Amount

(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)

(c) Notice periods: Minimum period: [[] days] [Not Applicable]
Maximum period: [[] days] [Not Applicable]

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

23. Final Redemption Amount: [[see paragraph 18/19 above] [] per Calculation Amount]

(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply)

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [An amount determined by the Calculation Agent, in its sole and absolute discretion, to be equal to the fair market value of the Notes immediately prior to the date of redemption, or minus any related hedging gains or costs/[] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Provisions applicable to Physical Delivery: [Applicable/Not Applicable]
(if not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Asset Amount: []
- (b) Relevant Asset(s): [As specified above]/The relevant asset[s] to which the Notes relate [is/are] []
- (c) Settlement Business Day(s): []
26. Variation of Settlement:
- (a) Issuer's option to vary settlement: The Issuer [has/does not have] the option to vary settlement in respect of the Notes
- (b) Variation of Settlement of Physical Delivery Notes: [Notwithstanding the fact that the Notes are Physical Delivery Notes, the Issuer may make payment of the Redemption Amount on the Maturity Date/The Issuer will procure delivery of the Asset Amount in respect of the Notes]
27. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves)
- (b) New Global Note: [Yes] [No]
28. Additional Financial Centre(s): [Not Applicable/give details]
(Note that this paragraph relates to the place of

payment and not Interest Period End Dates to which subparagraphs 14(c) and 17(e) relate)

29. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
30. Governing law: [English/Luxembourg]
(N.B.: Subordinated Notes **must** be governed by Luxembourg law)

[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. 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 [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banque et Caisse d'Epargne de l'Etat, Luxembourg:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market (for example, the Official List of the Luxembourg Stock Exchange, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)]* with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market (for example, the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)]* with effect from [].] [Not Applicable]

2. RATINGS

Ratings:

[The Notes to be issued *[[have been]/[are expected to be]]* rated *]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:*

[insert details] by *[insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]*.

Each of *[defined terms]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of *[defined terms]* is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

[Save for any fees payable to the Manager(s)/Dealer(s), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest including any conflicting interest material to the issue. The *[Manager(s)/Dealer(s)]* 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 its 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 Prospectus under Article 16 of the Prospectus Directive.)]

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

(a) Reasons for the offer: []

(b) 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.)

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

(N.B. If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (a) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and where such reasons are inserted in (a) disclosure of net proceeds and total expenses at (b) and (c) above are also required.)

5. YIELD (Fixed Rate Notes only)

Indication of yield: [] [Not Applicable]

6. HISTORIC INTEREST RATES (Floating Rate Notes only)

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

7. PERFORMANCE OF INDEX/SHARE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

[Not Applicable]/

[Need to include details of where past and future performance and volatility of the index/share can be obtained.]

[Name of the Issuer of the underlying security: []]

ISIN Code: []

Index name: []

Relevant weightings of each underlying in the basket: []

Source of information relating to the []
[index/indices/share]:

Place where information to the [index/indices/share] []
can be obtained:

8. UNDERLYING DISCLAIMER²

[For use in connection with Indices (including Inflation Indices)]

[Not Applicable]

[The issue of this series of Notes (in this paragraph, the **Transaction**) is not sponsored, endorsed, sold, or promoted by [NAME OF INDEX] (the **Index**) or [NAME OF INDEX SPONSOR] (the **Index Sponsor**) and the Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any Transaction. The Issuer shall not have any liability for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date, neither the Issuer nor its affiliates have any affiliation with or control over the Index or Index Sponsor.

9. OPERATIONAL INFORMATION

- (a) ISIN Code: []
- (b) Common Code: []
- (c) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (d) Names and addresses of additional Paying Agent(s) (if any): [] [Not Applicable]
- (e) Deemed delivery of clearing system notices for the purposes of Condition 13: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (f) 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.

² Include for Index Linked Redemption Notes and Inflation Linked Interest Notes.

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.]

10. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names and addresses and underwriting commitments*]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of 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.)*
- (c) Date of Subscription Agreement: []
- (d) Stabilising Manager(s) (if any): [Not Applicable/*give name(s)*]
- (e) If non-syndicated, name and address of relevant Dealer: [Not applicable/*give name and address*]
- (f) Total commission and concession: []% of the Aggregate Nominal Amount
- (g) U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (h) Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [, [*insert names of financial intermediaries receiving consent (specific consent)*] (the **Initial Authorised Offerors**)] [and any additional financial intermediaries who have or obtain the Issuer's consent to use the prospectus in connection with the Non-exempt Offer and who are identified on the Issuer's website at www.bcee.lu as an Authorised Offeror] (together [with any financial intermediaries granted General Consent], being persons to whom the issuer has given consent, the **Authorised Offerors**)

other than pursuant to Article 3(2) of the Prospectus Directive in [[Austria] [France] [Luxembourg] [the Netherlands] [the Republic of Ireland] [the United Kingdom]] (the **Public Offer Jurisdictions**) during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [] Business Days thereafter"] (the **Offer Period**). See further paragraph 11 below.]

- (i) General Consent: [Applicable] [Not Applicable]
- (j) Other conditions to consent: [Not Applicable][Add here any other conditions to which the consent given is subject].
- (N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported)*

11. TERMS AND CONDITIONS OF THE OFFER

- Offer Price: [Issue Price][Not applicable][Specify]
- [Conditions to which the offer is subject:] [Not applicable/give details]
- Offer Period: See paragraph 10(h) above
- [Description of the application process:] [Not applicable/give details]
- [Details of the minimum and/or maximum amount of application:] [Not applicable/give details]
- [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:] [Not applicable/give details]
- [Details of the method and time limits for paying up and delivering the Notes:] [Not applicable/give details]
- [Manner in and date on which results of the offer are to be made public:] [Not applicable/give details]
- [Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:] [Not applicable/give details]
- [Whether tranche(s) has/have been reserved for certain countries:] [Not applicable/give details]
- [Process for notification to applicants of] [Not applicable/give details]

the amount allotted and the indication whether dealing may begin before notification is made:]

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

[Not applicable/*give details*]

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

The Authorised Offerors identified in paragraph 10 above..

ANNEX 1

SUMMARY OF THE NOTES

[]

APPLICABLE FINAL TERMS (WHOLESALE)

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE, OTHER THAN EXEMPT NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of at least EUR 100,000 (or its equivalent in any other currency) or more issued under the Programme.

[Date]

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$8,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 28 June 2013] [and the supplement to the Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC)(the **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 Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplement to the Prospectus] [is] [are] available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained from the Issuer's registered office at 1-2 place de Metz, L-2954 Luxembourg and from Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a 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 Prospectus dated [original date][and the supplement to the Prospectus dated [date]] which are incorporated by reference in the Prospectus dated [current date]. 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 Prospectus dated [current date][and the supplement to the Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of such Prospectuses are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies may be obtained from the Issuer's registered office at 1-2 place de Metz, L-2954 Luxembourg and from Citibank, N.A., London Branch at 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

[Include whichever of the following apply or specify as "Not Applicable". 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.]

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

1. (a) Series Number: []
- (b) Tranche Number: []
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about []][Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
- (c) [Units: [] Units (being the equivalent of [*insert currency*]; [*insert amount*])]
4. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5. (a) Specified Denominations: []
- (b) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (a) Issue Date: []
- (b) Interest Commencement Date: [*specify/Issue Date/Not Applicable*]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
7. Maturity Date: [*Fixed Rate Note – specify date/Floating Rate Note or any other Note where the Interest Period end date(s) are adjusted – Interest Payment Date falling in or nearest to [specify month]*]
8. Interest Basis: [[]% Fixed Rate] [subject to interest rate step-up as specified below]
[[[] month [LIBOR/EURIBOR]] +/- []%]

Floating Rate]]
[Zero Coupon]
[[]% Fixed Rate Range Accrual]

[Inflation Linked Interest]
(see paragraph 13/14/15/16/17 below)

9. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at []% of their nominal amount]
[Index Linked Redemption]
[Equity Linked Redemption]
- (N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
10. Change of Interest or Redemption/Payment Basis: [Specify the date when any e.g. fixed to floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there] [Not applicable]
11. Put/Call Options: [Not Applicable]
[Investor Put]
[Issuer Call]
[(see paragraph 21/22 below)]
12. (a) Status of the Notes: [Senior/Subordinated]
(issues of Subordinated Notes are subject to the prior written consent of the Ministry of Treasury of Luxembourg)
- (b) If Subordinated Notes, whether Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes and whether such Notes will be dated or undated: [Upper Tier II Subordinated Notes/Lower Tier II Subordinated Notes/Tier III Subordinated Notes/Dated Subordinated Notes/Undated Subordinated Notes]
[Not Applicable]
- (c) Date [Board] approval for issuance of Notes obtained: [[] [and [], respectively]] [Not Applicable]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- [Subject to the provisions of paragraph 17] *(insert in the case of Range Accrual Notes)*

- (a) Rate(s) of Interest: []% per annum payable in arrear on each Interest Payment Date
 [For interest step-up Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]
 []% per annum commencing on (and including) [date] until (but not including) [date]¹
 []% per annum commencing on (and including) [date] until (but not including) the Maturity Date]]
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
 (Amend appropriately in the case of irregular coupons)
- (c) Interest Period End Date(s): [] in each year [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] specify any applicable Additional Business Centre (s)/not adjusted]
- (d) Fixed Coupon Amount(s): [] per Calculation Amount
 (Applicable to Notes in definitive form.)
- (e) [Initial/Final] Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not applicable]
 (Applicable to Notes in definitive form.)
- (f) Fixed Day Count Fraction: [Actual/360, 30/360, 360/360, Bond Basis, 30E/360, Eurobond Basis, Actual/Actual (ICMA)] (Note that if interest is not payable on a regular basis (for example, if there are Broken Amounts specified) Actual/Actual (ICMA) will not be a suitable Fixed Day Count Fraction)
- (g) Determination Date(s): [[] in each year] [Not Applicable]
 (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)
- (h) Interest rate step-up: [Applicable, for further details see paragraph 13(a) above/Not Applicable]
14. Floating Rate Note Provisions: [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)

¹ Further periods to be inserted as necessary.

[Subject to the provisions of paragraph 16] (*insert in the case of Inflation Linked Interest Notes*)

- (a) Interest Period End Dates: [] in each year [adjusted in accordance with [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/not adjusted]
- (b) Interest Payment Dates: []
- (c) Additional Business Centre(s):
- (i) For fixing: [] [Not Applicable]
- (ii) For Interest Period End Dates: [] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- (i) Reference Rate: [] month [LIBOR/EURIBOR]
- (ii) Interest Determination Date(s): []
- (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
- (iii) Relevant Screen Page: []
- (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
- (g) ISDA Determination: [Applicable/Not Applicable]
- (i) Floating Rate Option: []
- (ii) Designated Maturity: []
- (iii) Reset Date: []

(*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)

- (h) Margin(s): [+/-] []% per annum
- (i) Minimum Rate of Interest: [[]% per annum] [Not Applicable]
- (j) Maximum Rate of Interest: [[]% per annum] [Not Applicable]
- (k) Day Count Fraction: [Actual/Actual
Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
360/360
Bond Basis
30E/360
Eurobond Basis
30E/360 (ISDA)]
15. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: []% per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]
16. Inflation Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Screen Page: []
- (b) Formula: see Technical Annex Part 2

Cap Level: []

Floor Level: []

Percentage Multiplier: []
- (c) Calculation Agent responsible for calculating the interest due: [] *(NB. Specify name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*
- (d) Cut-Off Date: []/[Not Applicable]
- (e) Related Bond: []/[Fall Back Bond]

- (f) Issuer of Related Bond: []/[Not Applicable]
- (g) Fall Back Bond: [Applicable/Not Applicable]
- (h) Index Sponsor: []
- (i) Related Bond Redemption Event: [Applicable/Not Applicable]
- (j) Scheduled Trading Day: []

17. Range Accrual Note Provisions: [Applicable/Not Applicable]

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

(a) Fixed Rate: []% per annum payable in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [] in each year up to and including the Maturity Date [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] and any applicable Additional Business Centre(s) for the definition of Business Day]/[not adjusted]

(Amend appropriately in the case of irregular coupons)

(c) Day Count Fraction: [Actual/360, 30/360, Bond Basis, 30E/360, Eurobond Basis, Actual/Actual (ICMA)]

(d) Determination Dates: [[] in each year] [Not Applicable] *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*

(e) Additional Business Centre(s): [] [Not Applicable]

(f) Upper Range: []%

(If the Upper Range adjusts with various periods use the table below)

From	and	To but excluding	Upper Range
including			

[]	[]	[]%
-----	-----	------

(g) Lower Range: []%

(If the Lower Range adjusts with various periods use the table below)

- From and To but excluding Lower Range including [] [] []%
- (h) Range Accrual Reference Rate: [Screen Rate Determination/ISDA Determination]
- (i) Screen Rate Determination:
- Reference Rate: [] month [LIBOR/EURIBOR]
Reference Currency: []
 - Relevant Screen Page: (For example, Reuters EURIBOR 01)
 - Range Accrual Reference Rate Determination Date(s): [Daily Observation/specify other period]
- (ii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (i) Calculation Agent: *give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]*

PROVISIONS RELATING TO REDEMPTION

18. Index Linked Redemption Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Indices: []
(If more than one, refer to as Index₁, Index₂, etc)
- (b) Screen Page: (Specify if applicable, or give the sources of observation for each index)
- (c) Component Transactions: []
- (d) Formula: [Autocall with [Guaranteed Coupon]/[Conditional Coupon without Memory Effect]/[Conditional Coupon with Memory Effect] [In the case of Autocall specify

Autocall Trigger Level: []% of the Initial Price, **Percentage Multiplier:** []% for Observation Date (1), []% for Observation Date (2) etc.
Lower Threshold Level: []% of the Initial Price, **Lower Threshold Multiplier:** []%, **Threshold Level:** []% of the Initial Price, **Threshold Multiplier:** []% **and Final Percentage Multiplier:** []%. [In the case of Conditional Coupon specify **Coupon Trigger Level:** []% of the Initial Price]/[Autocall with Spread [In the case of Autocall with Spread specify: **Autocall Trigger Level:** []% of the Initial Price, **Multiplier:** []% and **Final Percentage Multiplier:** []%]/[Lookback [In the case of Lookback specify **Multiplier:** []%, **Floor Level:** [] and **x:** []] [Short-term Lookback [In the case of Short-term Lookback specify **Multiplier:** []%, **Short-term Lookback Multiplier:** []%, **Cap Level:** [], **Floor Level:** [] and **x:**[]] [Double Win [In the case of Double Win specify. **Barrier Level Multiplier:** []%, **Cap Level:** []%, **Floor Level:** [] and **Final Valuation Date:** []] [Triple Index [In the case of Triple Index specify **Multiplier:** []%] [Asian Call [In the case of Asian Call specify **Multiplier:** []%, **Cap Level:** []% and **Floor Level:** []%]

- (e) Calculation Agent responsible for calculating the redemption amount due: [] (NB. Specify name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)
- (f) Settlement Price: []
- (g) Relevant Level: Index Currency: [] [The official closing level for the Index/Indices] [the official fixing eventually calculated and/or published by the Index Sponsor] [the Valuation Method]
- (h) Valuation Date: []
- (i) Valuation Method: [Highest]/[Average Highest]/[Market Value]
- (j) Quotation Method: [Bid]/[Mid]/[Ask]
- (k) Quotation Amount: []/[As set out in Condition 19]
- (l) Averaging: Averaging [applies/does not apply] to the Notes.
 [The Averaging Dates are []]
 [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply]

[Modified Postponement is applicable]

(only applicable if Modified Postponement is applicable as an Averaging election)

[Specified Maximum Days of Disruption will be equal to: []/[eight]]

(if no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)

- (m) Observation Date(s): [Observation Date₍₁₎: [], Observation Date₍₂₎: [] etc.] [Not Applicable.] [In the event that an Observation Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- (n) Early Redemption Date(s) corresponding to Observation Date(s): [Early Redemption Date₍₁₎: [], Early Redemption Date₍₂₎: [] etc.]
- (o) Observation Period: [*Specify/Not Applicable*]
- (p) Exchange Business Day: []
- (q) Scheduled Trading Day: []
- (r) Exchange(s) and Index Sponsor: (i) the relevant Exchange[s] [is/are] [] and (ii) the relevant Index Sponsor is [].
- (s) Related Exchange: [*Specify/Each exchange or quotation system on which option contracts or futures contracts relating such Index is traded/All Exchanges*]
- (t) Relevant Time: [Scheduled Closing Time/Any time [on the Valuation Date/during the Observation Period.] [The relevant time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] (*N.B. if no Relevant Time is specified, the Valuation Time will be the Scheduled Closing Time*).
- (u) Additional Disruption Events: [(i)] The following Additional Disruption Events apply to the Notes:

(Specify each of the following which applies.)
[Change of Law]
[Hedging Disruption]
[Increased Cost of Hedging]
[Increased Cost of Stock Borrow]
[Loss of Stock Borrow]

[(ii)] [The Trade Date is []. *[If no Trade Date is specified, Issue Date will be the Trade Date]*

(N.B. only applicable if Change of Law and/or Increased Cost of Hedging is applicable)

[(iii)] [The Maximum Stock Loan Rate in respect of *[specify in relation to each security/commodity comprised in an Index]* is [].

(N.B. only applicable if Loss of Stock Borrow is applicable)

[(iv)] [The Initial Stock Loan rate in respect of *[specify in relation to each security/commodity comprised in an Index]* is [].

(N.B. only applicable if Increased Cost of Stock Borrow is applicable)]

(v) Market Disruption: Specified Maximum Days of Disruption will be equal to []/[eight]

(if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)

(w) Knock-in Event: [Not Applicable/[]/["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Knock-in Level]]

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

[In the event that a Knock-in Determination Day is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]

(i) Knock-in Level: [Specify]

(ii) Knock-in Determination Day(s): [Specify/Each Scheduled Trading Day in the Knock-in Determination Period]

(iii) Knock-in Period Beginning Date: [Not Applicable/specify]

(iv) Knock-in Period Ending Date: [Not Applicable/specify]

(v) Knock-in Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-in

- Determination Day.]
- (x) Knock-out Event: [Not Applicable/[]/["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Knock-out Level]]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- [In the event that a Knock-out Determination Day is a Disrupted Day,
- [Omission/Postponement/Modified Postponement] will apply]
- (i) Knock-out Level: [*Specify*]
- (ii) Knock-out Determination Day(s): [*Specify*/Each Scheduled Trading Day in the Knock-out Determination Period]
- (iii) Knock-out Period Beginning Date: [Not Applicable/*specify*]
- (iv) Knock-out Period Ending Date: [Not Applicable/*specify*]
- (v) Knock-out Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-out Determination Day]
- (y) Automatic Early Redemption Event: [Not Applicable/[]/["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Automatic Early Redemption Level]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Automatic Early Redemption Amount: [*Specify*/See definition in Condition 19]
- (ii) Automatic Early Redemption Date(s): [*Specify*] [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] *specify any applicable Additional Business Centre (s)/not adjusted*]
- (iii) Automatic Early Redemption Level: [*Specify*]
- (iv) Automatic Early Redemption Rate: [*Specify*]
- (v) Automatic Early Redemption Valuation Date(s): [*Specify*]
- [In the event that Automatic Early Redemption Date is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]

19. Equity Linked Redemption Note Provisions: [Applicable/Not Applicable]
- (if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Share(s): []
- (b) ISIN of Share(s): []
- (c) Strike: [] % of the Initial Price
- (d) Settlement Price: [] [As set out in Condition 20]
- [Exchange Rate: []]
- (e) Calculation Agent responsible for calculating any amount due under the Notes: [] *(NB. Specify name and address)*
- (f) Valuation Date: []
- (g) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are []]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply]
- [Modified Postponement is applicable]
- (only applicable if Modified Postponement is applicable as an Averaging election)*
- [Specified Maximum Days of Disruption will be equal to: []/[eight]]
- (if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)*
- (h) Observation Date(s): [The Observation Date(s) is/are []/Not Applicable] [In the event that an Observation Date is a Disrupted Date [Omission/Postponement/Modified Postponement] will apply]
- (i) Observation Period: [] [Not Applicable]
- (j) Exchange Business Day: []
- (k) Scheduled Trading Day: []
- (l) Exchange(s): The relevant Exchange[s] [is/are] []
- (m) Related Exchange(s): []/[Each exchange or quotation system on which

option contracts or futures contracts relating to such Share(s) are traded/All Exchanges]

- (n) Relevant Time: [Scheduled Closing Time/Any time [on the Valuation Date/during the Observation Period.] [The relevant time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] (*N.B. if no Relevant Time is specified, the Valuation Time will be the Scheduled Closing Time*).
- (o) Additional Disruption Events: [(i)] The following Additional Disruption Events apply to the Notes:
- (Specify each of the following which applies.)*
[Change of Law]
[Hedging Disruption]
[Insolvency Filing]
[Failure to Deliver]
[Increased Cost of Hedging]
[Increased Cost of Stock Borrow]
[Loss of Stock Borrow]
- [(ii)] [The Trade Date is []].
- (N.B. only applicable if Change of Law and/or Increased Cost of Hedging is applicable)*
- [(iii)] [The Maximum Stock Loan Rate in respect of *[specify in relation to each relevant Share]* is []].
- (N.B. only applicable if Loss of Stock Borrow is applicable)*
- [(iv)] [The Initial Stock Loan rate in respect of *[specify in relation to each relevant Share]* is []].
- (NB. only applicable if Increased Cost of Stock Borrow is applicable)*
- (p) Market Disruption: Specified Maximum Days of Disruption will be equal to []/[eight]
- (if no Specific Maximum Days of Disruption is stated, Specified Maximum Days of Disruption will be equal to eight)*
- (q) Delayed Redemption on Occurrence of Extraordinary Events: [Applicable/Not Applicable]
- (if not applicable, delete the remaining subparagraph of this paragraph)*

- [Rate for accrual of interest []/as specified in Condition 20(b)(iii)(C)]
- (r) Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable/Not Applicable]
- (if not applicable, delete the remaining subparagraph of this paragraph)*
- [Rate for accrual of interest []/as specified in Condition 20(e)(i)(C)]
20. Notice periods for Condition 6.2: Minimum period: [] days [Not Applicable]
Maximum period: [] days [Not Applicable]
21. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] [Not Applicable]
- (ii) Maximum Redemption Amount: [] [Not Applicable]
- (d) Notice Periods: Minimum period: [] days [Not Applicable]
Maximum period: [] days [Not Applicable]
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [] per Calculation Amount

(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)

(c) Notice Periods: Minimum period: [] days [Not Applicable]

Maximum period: [] days [Not Applicable]

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

23. Final Redemption Amount: [[see paragraph 18/19 above]
[] per Calculation Amount]

(N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

24. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [An amount determined by the Calculation Agent, in its sole and absolute discretion, to be equal to the fair market value of the Notes immediately prior to the date of redemption, plus or minus any related hedging gains or costs/[] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Provisions applicable to Physical Delivery: [Applicable/Not Applicable]

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

(a) Asset Amount []

(b) Relevant Asset(s): [As specified above]/The relevant asset[s] to which the Notes relate [is/are] []

(c) Settlement Business Day(s): []

26. Variation of Settlement:

(a) Issuer's option to vary settlement: The Issuer [has/does not have] the option to vary settlement in respect of the Notes

(b) Variation of Settlement of Physical [Notwithstanding the fact that the Notes are Physical

Delivery Notes:

Delivery Notes, the Issuer may make payment of the Redemption Amount on the Maturity Date/The Issuer will procure delivery of the Asset Amount in respect of the Notes]

27. Form of Notes:

(a) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves N.B. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

(b) New Global Note:

[Yes][No]

28. Additional Financial Centre(s):

[Not Applicable/give details]

(Note that this paragraph relates to the place of payment and not Interest Period end dates to which subparagraphs 14(c)) and 17(e) relate)

29. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.

30. Governing law:

[English/Luxembourg]

*(NB: Subordinated Notes **must** be governed by Luxembourg law)*

[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banque et Caisse d'Epargne de l'Etat, Luxembourg:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example, the Official List of the Luxembourg Stock Exchange, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].] [Not Applicable]

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [defined terms] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

[Save for any fees payable to the [Manager(s)/Dealer(s)], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest including any conflicting interest material to the issue. The [Manager(s)/Dealer(s)] 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 its 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 Prospectus under Article 16 of the Prospectus Directive.)]

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

(a) Reasons for the offer: []

(b) Estimated net proceeds: []

(c) Estimated total expenses: []]

(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses")

(N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies(a) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (a), disclosure of net proceeds and total expenses at (b) and (c) above are also required.)

5. YIELD (Fixed Rate Notes only)

Indication of yield: [] [Not Applicable]

6. PERFORMANCE OF INDEX/SHARE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

[Not Applicable]/

[Need to include details of where past and future performance and volatility of the index/share can be obtained.]

[Name of the Issuer of the underlying security: []

ISIN Code: []

Index Name: []

Relevant weightings of each underlying in the basket: []

Source of information relating to the []
[index/indices/share]:

Place where information to the [index/indices/share] []
can be obtained:

7. UNDERLYING DISCLAIMER²

[For use in connection with Indices (including Inflation Indices)]

[Not Applicable]

[The issue of this series of Notes (in this paragraph, the **Transaction**) is not sponsored, endorsed, sold, or promoted by [NAME OF INDEX] (the **Index**) or [NAME OF INDEX SPONSOR] (the **Index Sponsor**) and the Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any Transaction. The Issuer shall not have any liability for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date, neither the Issuer nor its affiliates have any affiliation with or control over the Index or Index Sponsor.

8. OPERATIONAL INFORMATION

- (a) ISIN Code: []
- (b) Common Code: []
- (c) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (d) Names and addresses of additional Paying Agent(s) (if any): [] [Not Applicable]
- (e) Deemed delivery of clearing system notices for the purposes of Condition 13: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (f) 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.

² Include for Index Linked Redemption Notes and Inflation Linked Interest Notes.

Such recognition will depend upon the ECB being satisfied that the 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.]

9. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/give names] *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names of 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.)*
- (c) Date of Subscription Agreement: []
- (d) Stabilising Manager(s) (if any): [Not Applicable/give name(s)]
- (e) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (f) U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable]

APPLICABLE PRICING SUPPLEMENT

EXEMPT NOTES OF ANY DENOMINATION

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[Date]

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$8,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Prospectus dated 28 June 2013 [as supplemented by the supplement[s] dated [date[s]]] (the **Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus. Copies of the Prospectus may be obtained from the Issuer's registered office at, 1-2 Place de Metz, L-2954 Luxembourg and from Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Prospectus [dated [original date] which are incorporated by reference in the Prospectus].

Include whichever of the following apply or specify as "Not Applicable". 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 Pricing Supplement.

1. Issuer: Banque et Caisse d'Epargne de l'Etat, Luxembourg
2. (a) Series Number: []
(b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 29 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: []

4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
- (c) [Units: [] Units (being the equivalent of [*insert currency*]; [*insert amount*])]
5. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6. (a) Specified Denominations: []
- (b) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [*Fixed Rate Note – specify date/Floating Rate Note or any other Note where the Interest Period end date(s) are adjusted – Interest Payment Date falling in or nearest to [specify month]*]
9. Interest Basis: [[]% Fixed Rate] [Subject to interest rate step-up as specified below]
 [[LIBOR/EURIBOR] +/- []% Floating Rate]
 [Zero Coupon]
 [[]% Fixed Rate Range Accrual]
 [Index Linked Interest]
 [Inflation Linked Interest]
 [*specify other*]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked Redemption]
 [Equity Linked Redemption]
 [Partly Paid]
 [Instalment]

- [specify other]*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of e.g. any provision for change of Notes into another Interest Basis or Redemption/Payment Basis] [Not Applicable]*
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior/Subordinated]

(issues of Subordinated Notes are subject to the prior written consent of the Ministry of Treasury of Luxembourg)]
- (b) If Subordinated Notes, whether Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes and whether such Notes will be dated or undated: [Upper Tier II Subordinated Notes/Lower Tier II Subordinated Notes/Tier III Subordinated Notes/Dated Subordinated Notes/Undated Subordinated Notes] [Not Applicable]
- (c) [Date [Board] approval for issuance of Notes obtained: [] [and [], respectively]]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]

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

[Subject to the provisions of paragraph 19] *(insert in the case of Range Accrual Notes)*
- (a) Rate(s) of Interest: []% per annum payable in arrear on each Interest Payment Date

(If payable other than annually, consider amending Condition 4)

[For interest step-up Notes: []% per annum commencing on (and including) the Interest Commencement Date until (but not including) [date]

[]% per annum commencing on (and including) [date] until (but not including) [date]¹

[]% per annum commencing on (and including)

¹ Further periods to be inserted as necessary.

- [date] until (but not including) the Maturity Date]]
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date
(N.B. Amend appropriately in the case of irregular coupons)
- (c) Interest Period End Date(s): [] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Additional Business Centre (s)/not adjusted]
- (d) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Notes in definitive form.)
- (e) [Initial/Final] Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form.)
- (f) Fixed Day Count Fraction: [Actual/360, 30/360, 360/360, Bond Basis, 30E/360, Eurobond Basis, Actual/Actual (ICMA) or [specify other]]
- (g) [Determination Date(s): [[] in each year] [Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA) In such case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)
- (h) [Interest rate step-up/Step-down: [Applicable/Not Applicable]
(If applicable, delete the remaining subparagraphs of this paragraph)]
- (i) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Note: [None/Give details]
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- [Subject to the provisions of paragraph 17] (insert in the case of Inflation Linked Interest Notes)
- (a) Interest Period End Dates: [] in each year [adjusted in accordance with [specify Business Day Convention]/not adjusted]
- (b) Interest Payment Dates: []
- (c) Additional Business Centre(s):
- (i) For fixing: []

- (ii) For Interest Period End []
Dates:
- (d) Manner in which the Rate of Interest [Screen Rate Determination/ISDA:
and Interest Amount is to be *Determination/specify other*]
determined:
- (e) Party responsible for calculating the []
Rate of Interest and Interest Amount
(if not the Agent):
- (f) Screen Rate Determination:
- (i) Reference Rate: [] month [LIBOR/EURIBOR/specify other
Reference Rate]
- (ii) Interest Determination []
Date(s):

*(Second London business day prior to the start of
each Interest Period if LIBOR (other than Sterling or
euro LIBOR), first day of each Interest Period if
Sterling LIBOR and the second day on which the
TARGET2 System is open prior to the start of each
Interest Period EURIBOR or euro LIBOR)*
- (iii) Relevant Screen Page: []

*(In the case of EURIBOR, if not Reuters
EURIBOR01 ensure it is a page which shows
composite rate or amend the fallback provision
appropriately)*
- (g) ISDA Determination:
- (i) Floating Rate Option: []
- (ii) Designated Maturity: []
- (iii) Reset Date: []

*(In the case of a LIBOR or EURIBOR based option,
the first day of the Interest Period)*
- (h) Relevant Financial Centre: []
- (i) Margin(s): [+/-] []% per annum
- (j) Minimum Rate of Interest: []% per annum
- (k) Maximum Rate of Interest: []% per annum
- (l) Day Count Fraction: [Actual/Actual
Actual/Actual (ISDA)]

Actual/Actual (ICMA)
 Actual/365 (Fixed)
 Actual/360
 30/360
 360/360
 Bond Basis
 30E/360
 Eurobond Basis
 30E/360 (ISDA)
 Other]
 (See Condition 4 for alternatives)

(m) [Interest rate step-up/Step-down: [Applicable/Not Applicable]
 (If applicable, delete the remaining subparagraphs of this paragraph)]

(n) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Note, if different from those set out in the Conditions: []

16. Zero Coupon Note Provisions: [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Accrual Yield: []% per annum

(b) Reference Price: []

(c) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: []

(d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]
 [Actual/360]
 [Actual/365]

17. Inflation Linked Interest Note Provisions: [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Index/Indices: []

(b) Screen Page/Exchange Code: []

(c) Formula: see Technical Annex – Part 2

Cap Level: []

Floor Level: []

- Percentage Multiplier: []
- (d) Calculation Agent responsible for calculating the interest due: []
- (e) Cut-Off Date: []/[Not Applicable]
- (f) Related Bond: []/Fall Back Bond
- (g) Issuer of Related Bond: []/[Not Applicable]
- (h) Fall Back Bond: [Applicable/Not Applicable]
- (i) Index Sponsor: []
- (j) Related Bond Redemption Event: [Applicable/Not Applicable]
- (k) Scheduled Trading Day: []
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (N.B. If the Final Redemption Amount is other than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent and (Interest Amount (if not the Agent))): []
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (e) Interest Period End Dates: [] in each year [adjusted in accordance with [specify Business Day Convention]/not adjusted]
- (f) Interest Payment Dates: []
- (g) Additional Business Centre(s):
- (i) For Fixing: []

(ii) For Interest Period End []
Dates:

(h) Minimum Rate of Interest: []% per annum

(i) Maximum Rate of Interest: []% per annum

(j) Day Count Fraction: []

19. Range Accrual Note Provisions: [Applicable/Not Applicable]

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

(a) Fixed Rate: []% per annum payable in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [] in each year up to and including the Maturity Date [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] and any applicable Additional Business Centre(s) for the definition of Business Day]/[not adjusted]

(Amend appropriately in the case of irregular coupons)

(c) Day Count Fraction: [Actual/360, 30/360, 360/360, Bond Basis, 30E/360, Eurobond Basis, Actual/Actual (ICMA) or [specify other]]

(d) Determination Dates: [[] in each year] [Not Applicable] *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*

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

(f) Upper Range []%

From and including	To but excluding	Upper range
--------------------	------------------	-------------

[]	[]	[]%
-----	-----	------

(g) Lower Range []%

(If the Lower Range adjusts with various periods use the table below)

From and including	To but excluding	Lower range
--------------------	------------------	-------------

- [] [] []%
- (h) Range Accrual Reference Rate: [Screen Rate Determination/ISDA Determination]
- (i) Range Accrual Reference Rate: [Screen Rate Determination/ISDA Determination]
- (i) Screen Rate Determination:
- Reference Rate: *(For example, LIBOR or EURIBOR)*
Reference Currency: []
 - Relevant Screen Page: *(For example, Reuters EURIBOR 01)*
 - Range Accrual Reference Rate Determination Date(s): *(Daily Observation/specify other period)*
- (ii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (iii) Calculation Agent: *give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*

PROVISIONS RELATING TO REDEMPTION

20. Index Linked Redemption Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Indices: []
[If more than one, refer to as Index₁, Index₂ etc]
- (b) Screen Page: *[Specify if applicable, or give the sources of observation for each index]*
- (c) Component Transactions: []
- (d) Formula: [Autocall with [Guaranteed Coupon]/[Conditional

Coupon without Memory Effect]/[Conditional Coupon with Memory Effect] [*In the case of Autocall specify Autocall Trigger Level:* []% of the Initial Price, **Percentage Multiplier:** []% for Observation Date ⁽¹⁾, []% for Observation Date ⁽²⁾ etc. **Lower Threshold Level:** []% of the Initial Price, **Lower Threshold Multiplier:** []%, **Threshold Level:** []% of the Initial Price, **Threshold Multiplier:** []% **and Final Percentage Multiplier:** []%. [*In the case of Conditional Coupon specify Coupon Trigger Level:* []% of the Initial Price]/[Autocall with Spread [*In the case of Autocall with Spread specify: Autocall Trigger Level:* []% of the Initial Price, **Multiplier:** []% and **Final Percentage Multiplier:** []%]/[Lookback [*In the case of Lookback specify Multiplier:* []%, **Floor Level:** [] and **x:** []] [Short-term Lookback [*In the case of Short-term Lookback specify Multiplier:* []%, **Short-term Lookback Multiplier:** []%, **Cap Level:** [], **Floor Level:** [] and **x:**[]] [Double Win [*In the case of Double Win specify. Barrier Level Multiplier:* []%, **Cap Level:** []%, **Floor Level:** [] and **Final Valuation Date:** []] [Triple Index [*In the case of Triple Index specify Multiplier:* []%] [Asian Call [*In the case of Asian Call specify Multiplier:* []%, **Cap Level:** []% and **Floor Level:** []%]

[Reverse Convertible [*In the case of Reverse Convertible specify the Strike:*[]% of the Initial price]/

- (e) Calculation Agent responsible for calculating the redemption amount due: [] (NB. Specify name and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)
- (f) Settlement Price: []
Index Currency: []
- (g) Relevant Level: [The official closing level for the Index/Indices] [the official fixing eventually calculated and/or published by the Index Sponsor] [the Valuation Method]
- (h) Valuation Date: []
- (i) Valuation Method: [*insert calculation method*]/[As set out in the Conditions]

N/B: If as set out in the conditions, specify: [Highest]/[Average Highest]/[Market Value]

- (j) Quotation Method: [Bid]/[Mid]/[Ask]
- (k) Quotation Amount: []/[As set out in the Conditions]
- (l) Averaging: Averaging [applies/does not apply] to the Notes.
 [The Averaging Dates are [].]
 [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
 [Modified Postponement is applicable]
(only applicable if Modified Postponement is applicable as an Averaging election)
 [Specified Maximum Days of Disruption will be equal to: []/[eight]]
(if no Specified Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)
- (m) Observation Date(s): [Observation Date₍₁₎: [] Observation Date₍₂₎: [] etc.] [Not Applicable]. [In the event that an Observation Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- (n) Early Redemption Date(s) corresponding to Observation Date(s): [Early Redemption Date₍₁₎, Early Redemption Date₍₂₎ etc.] [Not Applicable]
- (o) Observation Period: [Specify/Not Applicable]
- (p) Exchange Business Day: []
- (q) Scheduled Trading Day: []
- (r) Exchange(s) and Index Sponsor: the relevant Exchange[s] [is/are] [] and the relevant Index Sponsor is [].
- (s) Related Exchange: [Specify/Each exchange or quotation system on which option contracts or futures contracts relating such Index is traded/All Exchanges]
- (t) Relevant Time: [Scheduled Closing Time/Any time [on the Valuation Date/during the Observation Period.] [The relevant time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] (N.B. if no Relevant Time is specified, the Valuation

Time will be the Scheduled Closing Time).

(u) Additional Disruption Events:

[(i)] The following Additional Disruption Events apply to the Notes:

(Specify each of the following which applies.)

[Change of Law]

[Hedging Disruption]

[Increased Cost of Hedging]

[Increased Cost of Stock Borrow]

[Loss of Stock Borrow]

[(ii)] [The Trade Date is []. *[If no Trade Date is specified, Issue Date will be the Trade Date]*

(N.B. only applicable if Change of Law and/or Increased Cost of Hedging is applicable)]

[(iii)] [The Maximum Stock Loan Rate in respect of [specify in relation to each security/commodity comprised in an Index] is [].

(N.B. only applicable if Loss of Stock Borrow is applicable)]

[(iv)] [The Initial Stock Loan rate in respect of [specify in relation to each security/commodity comprised in an Index] is [].

(N.B. only applicable if Increased Cost of Stock Borrow is applicable)]

(v) Market Disruption:

Specified Maximum Days of Disruption will be equal to []/[eight]

(if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)

(w) Knock-in Event:

[Not Applicable/specify/["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Knock

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

[In the event that a Knock-in Determination Day is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]

(i) Knock-in Level:

[Specify]

- (ii) Knock-in Determination Day(s): [*Specify*/Each Scheduled Trading Day in the Knock-in Determination Period]
- (iii) Knock-in Period Beginning Date: [Not Applicable/*specify*]
- (iv) Knock-in Period Ending Date: [Not Applicable/*specify*]
- (v) Knock-in Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-in Determination Day.]
- (x) Knock-out Event: [Not Applicable/*specify*["greater than"/"greater than or equal to"/"less than"/"less than or equal to" Knock-out Level]]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- [In the event that a Knock-out Determination Day is a Disrupted Day,
- [Omission/Postponement/Modified Postponement] will apply]
- (i) Knock-out Level: [*Specify*]
- (ii) Knock-out Determination Day(s): [*Specify*/Each Scheduled Trading Day in the Knock-out Determination Period]
- (iii) Knock-out Period Beginning Date: [Not Applicable/*specify*]
- (iv) Knock-out Period Ending Date: [Not Applicable/*specify*]
- (v) Knock-out Valuation Time: [Scheduled Closing Time]/[Any time on a Knock-out Determination Day]
- (y) Automatic Early Redemption Event: [Not Applicable/*specify*["greater than"/"greater than or equal to"/"less than"/"less than or equal to"] Automatic Early Redemption Level]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Automatic Early Redemption Amount: [*Specify*/See definition in Condition 19]
- (ii) Automatic Early Redemption Date(s): [*Specify*] [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] *specify any applicable Additional Business Centre (s)*/not adjusted]

- (iii) Automatic Early Redemption Level: [Specify]
- (iv) Automatic Early Redemption Rate: [Specify] [Not Applicable]
- (v) Automatic Early Redemption Valuation Date(s): [Specify]
[In the event that Automatic Early Redemption Date is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]

21. Equity Linked Redemption Note Provisions: [Applicable/Not Applicable]
(if not applicable, delete the remaining sub-paragraphs of this paragraph)

- (a) Share(s): []
- (b) ISIN of Share(s): [Specify]
- (c) Screen Page/Exchange Code: [Specify]
- (d) Strike: []% of the Initial Price
- (e) Formula: [Reverse Convertible]
- (f) Settlement Price: The Settlement Price will be calculated [*insert calculation method*] [As set out in the Conditions]
[Exchange Rate: []]
- (g) Calculation Agent responsible for calculating any amount due under the Notes: [] (*NB. Specify name and address*)
- (h) Valuation Date: []
- (i) Averaging: Averaging [applies/does not apply] to the Notes. [The Averaging Dates are [].]
[In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
[Modified Postponement is applicable]
(only applicable if Modified Postponement is applicable as an Averaging election).
[Specified Maximum Days of Disruption will be equal to: []/[eight]]

(if no Specific Maximum Days of Disruption are stated, Specified Maximum Days of Disruption will be equal to eight)

- (j) Observation Date(s): [The Observation Date(s) is/are []/Not Applicable] [In the event that an Observation Date is a Disrupted Date[Omission/Postponement/Modified Postponement] will apply]
- (k) Observation Period: [*Specify*/Not Applicable]
- (l) Exchange Business Day: []
- (m) Scheduled Trading Day: []
- (n) Exchange(s): The relevant Exchange[s] [is/are] []
- (o) Related Exchange(s): [*Specify*/Each exchange or quotation system on which option contracts or futures contracts relating to such Share(s) are traded/All Exchanges]
- (p) Relevant Time: [Scheduled Closing Time/Any time [on the Valuation Date/during the Observation Period.] [The relevant time is [], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.] (*N.B. if no Relevant Time is specified, the Valuation Time will be the Scheduled Closing Time.*)]
- (q) Additional Disruption Events:
- [(i)] The following Additional Disruption Events apply to the Notes:
(Specify each of the following which applies.)
[Change of Law]
[Hedging Disruption]
[Insolvency Filing]
[Failure to Deliver]
[Increased Cost of Hedging]
[Increased Cost of Stock Borrow]
[Loss of Stock Borrow]
 - [(ii)] [The Trade Date is []]

(N.B. only applicable if Change of Law and/or Increased Cost of Hedging is applicable)]
 - [(iii)] [The Maximum Stock Loan Rate in respect of [*specify in relation to each relevant Share*] is [].

(N.B. only applicable if Loss of Stock Borrow is applicable)]

[(iv)] [The Initial Stock Loan rate in respect of [specify in relation to each relevant Share] is []].

(NB. only applicable if Increased Cost of Stock Borrow is applicable)

(r) Market Disruption: Specified Maximum Days of Disruption will be equal to []/[eight]

(if no Specific Maximum Days of Disruption is stated, Specified Maximum Days of Disruption will be equal to eight)

(s) Delayed Redemption on Occurrence of Extraordinary Events: [Applicable/Not Applicable]

(if not applicable, delete the remaining subparagraph of this paragraph)

[Rate for accrual of interest []/as specified in the Terms and Conditions]

(t) Delayed Redemption on Occurrence of Additional Disruption Event: [Applicable/Not Applicable]

(if not applicable, delete the remaining subparagraph of this paragraph)

[Rate for accrual of interest []/as specified in the Terms and Conditions]

22. Notice periods for Condition 6.2: Minimum period: [] days [Not Applicable]
Maximum period: [] days [Not Applicable]

23. Issuer Call: [Applicable/Not Applicable]

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

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]

(c) If redeemable in part:

(i) Minimum Redemption Amount: []

(ii) Maximum Redemption Amount: []

(d) Notice periods: Minimum period: [] days
Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a maximum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

24. Investor Put: [Applicable/Not Applicable]

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

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]

(c) Notice periods: Minimum period: [] days
Maximum period: [] days

(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a maximum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

25. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]

26. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5): [An amount determined by the Calculation Agent, in its sole and absolute discretion, to be equal to the fair market value of the Notes immediately prior to the date of redemption, plus or minus any related hedging gains or costs/[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Provisions applicable to Physical Delivery: [Applicable/Not Applicable]

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

(a) Asset Amount in relation to each [Specify]

Note:

(b) [Relevant Asset(s): [As specified above]/The relevant asset[s] to which the Notes relate [is/are] *[specify]*.

(c) [Settlement Business Day(s): *[Specify]*

28. Variation of Settlement:

(a) Issuer's option to vary settlement: The Issuer [has/does not have] the option to vary settlement in respect of the Notes.

(b) Variation of Settlement of Physical Delivery Notes: [Notwithstanding the fact that the Notes are Physical Delivery Notes, the Issuer may make payment of the Redemption Amount on the Maturity Date./The Issuer will procure delivery of the Asset Amount in respect of the Notes.]

29. Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves.]

(b) New Global Note: [Yes][No]

30. Additional Financial Centre(s):

[Not Applicable/*give details*]

(Note that this paragraph relates to the place of payment and not Interest Period end dates to which subparagraphs 15(c) and 19(e) relate)

31. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

32. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/*give details*. *N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]

33. Details relating to Instalment Notes: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Instalment Amount(s): [give details]
- (b) Instalment Date(s): [give details]
34. Other final terms: [Not Applicable/give details]
35. Governing Law: [English/Luxembourg]
(NB: Subordinated Notes **must** be governed by Luxembourg law)

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. Terms. [Relevant third party information] has been extracted from [specify source]. 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 [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banque et Caisse d'Epargne de l'Etat, Luxembourg:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)].]

(The above disclosure is only required if the ratings of the Notes are different to those stated in the Prospectus)

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Manager(s)/Dealer(s)], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest including any conflicting interest material to the issue. The Manager(s)/Dealer(s) 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 its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

3. USE OF PROCEEDS:

Use of Proceeds: []

(Only required if the use of proceeds is different to that stated in the Prospectus)

4. OPERATIONAL INFORMATION

(a) ISIN Code: []

(b) Common Code: []

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

(d) Delivery: Delivery [against/free of] payment

(e) Deemed delivery of clearing system notices for the purposes of Condition 13: Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

(f) 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 the 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.]

5. DISTRIBUTION

- | | | |
|-----|---|---|
| (a) | (i) Method of distribution: | [Syndicated/Non-syndicated] |
| (b) | If syndicated, names of Managers: | [Not Applicable/give <i>names and addresses</i>] |
| (c) | Date of Subscription Agreement: | [] |
| (d) | Stabilising Manager(s) (if any): | [Not Applicable/ <i>give name</i>] |
| (e) | If non-syndicated, name of relevant Dealer: | [Not Applicable/ <i>give name</i>] |
| (f) | U.S. Selling Restrictions: | [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable] |
| (g) | Additional selling restrictions: | [Not Applicable/ <i>give details</i>] |

TERMS AND CONDITIONS OF THE NOTES

Any reference in the Terms and Conditions to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer 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 Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Notes (including, if the Notes are Upper Tier II Subordinated Notes, the status, subordination and interest deferral provisions of such Notes). The applicable Final Terms (or the relevant provisions thereof) will be incorporated in, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to "applicable 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 or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of notes (the notes of such Series being hereinafter called the **Notes**, which expression shall mean (a) in relation to Notes represented by a global Note, units of each Specified Denomination in the Specified Currency, (b) definitive Notes issued in exchange for a Temporary or Permanent global Note and (c) any global Note) issued by Banque et Caisse d'Epargne de l'Etat, Luxembourg (the **Issuer**) pursuant to the Agency Agreement (as defined below).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 June 2013 made between the Issuer, Banque et Caisse d'Epargne de l'Etat, Luxembourg, as principal paying agent and agent bank (the **Agent**, which expression shall include any successor as agent) the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and the Issuing Agent (the **Issuing Agent**, which expression shall include any successor Issuing Agent).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms (or Pricing Supplement, in the case of Exempt Notes (as defined below)) attached to or endorsed on this Note which complete, or in the case of Exempt Notes, supplement or amend these Terms and Conditions (the **Conditions**) and, in the case of 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 (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, 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. Exempt Notes in definitive form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue.

Any reference to **Noteholders** or **holders**, 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 to **Receiptholders** shall

mean the holders of the Receipts and any reference to **Couponholders** shall mean the holders of any Coupons and shall, unless the context otherwise requires, include the holders of any Talons.

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

If this Note is governed by English law (as specified in the applicable Final Terms), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 28 June 2013 and made by the Issuer. 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). If this Note is governed by Luxembourg law (as specified in the applicable Final Terms), references to the Deed of Covenant in these Terms and Conditions are not applicable.

Under Luxembourg law, owners of interests in a global Note governed by Luxembourg law will, subject to proof of ownership of such interest, be entitled to proceed directly against the Issuer either individually or, following the appointment of a Noteholder's representative, collectively through such representative, pursuant to articles 86 to 94-8 of the Companies Act 1915 and the law of 1 August 2001 on the circulation of securities and other fungible instruments.

Copies of the Agency Agreement and the Deed of Covenant are available during normal business hours at the specified office of each of the Agent and the other Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are binding on them.

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

1. Form, Denomination and Title

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

This Note is a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms. If this Note is a Subordinated Note, it is either an Upper Tier II Subordinated Note, a Lower Tier II Subordinated Note or a Tier III Subordinated Note, as indicated in the applicable Final Terms (or such other type of Subordinated Note as may be specified therein).

Unless this Note is an Exempt Note, this note may be, to the extent specified in the applicable Final Terms, a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a Note linked to the underlying reference asset(s) (an **Underlying Reference(s)**) specified in the applicable Final Terms

such as an Inflation Linked Interest Note, a Range Accrual Note, an Index Linked Redemption Note, an Equity Linked Redemption Note or any appropriate combination thereof.

If this Note is an Exempt Note, this Note may also be an Index Linked Interest Note, an Instalment Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

In the case of any Equity Linked Redemption Notes the applicable Final Terms will specify whether the Notes are Cash Settled Notes or Physical Delivery Notes. Save as otherwise specified in the applicable Final Terms, **Cash Settled Notes** will be redeemed by the payment to the Noteholders of such amount as is specified in the applicable Final Terms and **Physical Delivery Notes** will be redeemed by the delivery of the Relevant Asset(s) specified in the applicable Final Terms.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer and any Paying Agent may, except as ordered by a court of competent jurisdiction or as required by law, deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon 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 succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (**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 and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer and any Paying Agent as the holder 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 or of 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

The applicable Final Terms will indicate whether the Notes are Senior Notes or Subordinated Notes and, in the case of Subordinated Notes, the applicable subordination provisions.

(a) *Status of Senior Notes*

If the Notes are specified as Senior Notes in the applicable Final Terms, the Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among

themselves and (save for certain debts required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

(b) *Status and Subordination of Subordinated Notes*

(i) *Upper Tier II Subordinated Notes*

If the Notes are specified as Upper Tier II Subordinated Notes in the applicable Final Terms, the status and subordination of the Notes will be as set out in the applicable Final Terms. The Terms and Conditions of any Upper Tier II Subordinated Notes will be subject to the prior approval of the Commission de Surveillance du Secteur Financier (the **CSSF**), unless the Issuer does not require such Notes to be treated as capital (*fonds propres*) for the purposes of the CSSF. Upper Tier II Subordinated Notes and the relative Receipts, Coupons and Talons will rank behind Lower Tier II Subordinated Notes, Tier III Subordinated Notes and Senior Notes and the relative Receipts, Coupons and, if applicable, Talons.

(ii) *Lower Tier II Subordinated Notes and Tier III Subordinated Notes*

If the Notes are specified as Lower Tier II Subordinated Notes or Tier III Subordinated Notes in the applicable Final Terms, the Notes and the relative Receipts and Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Lower Tier II Subordinated Notes and the Tier III Subordinated Notes and the relative Receipts and Coupons rank and will rank equally with all other Senior Subordinated Obligations (as defined below).

In the event of the liquidation of the Issuer, the rights of the holders of the Lower Tier II Subordinated Notes and the Tier III Subordinated Notes and the relative Receipts and Coupons shall rank ahead of:

- (A) those persons whose claims are in respect of any class of equity of the Issuer;
- (B) the claims of the holders of Upper Tier II Subordinated Notes; and
- (C) creditors whose claims are in respect of any obligations of the Issuer that rank or are expressed to rank (whether only in the winding-up of the Issuer or otherwise) junior to Senior Subordinated Obligations,

but shall be subordinated to the claims of all Senior Creditors (as defined below). In this Condition 2(b)(ii):

Senior Creditors means all creditors of the Issuer who are cash depositors or other general, unsubordinated creditors; and

Senior Subordinated Obligations means all indebtedness and monetary obligations of the Issuer present and future that rank or are expressed to rank junior in right of payment (whether only in the event of the winding-up of the Issuer or otherwise) to the claims of Senior Creditors but that are not subordinated so as to rank in point of subordination junior to any other obligations of the Issuer.

3. Negative Pledge in respect of Senior Notes

If the Notes are specified as Senior Notes in the applicable Final Terms, so long as any of the Notes remain outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to be outstanding any pledge, mortgage, charge or other security interest for the benefit of the holders of any Securities (as defined below) upon the whole or any part of the property or assets, present or future, of the Issuer to secure (a) any payment due in respect of any Securities (b) any payment under any guarantee of any Securities or (c) any payment under any indemnity or other like obligation relating to any Securities, in any such case in which:

- (a) either such Securities are by their terms originally denominated or originally payable, or confer a right to receive payment, in any currency other than euro or all such Securities are originally denominated or originally payable in euro and more than 50% of the aggregate principal amount thereof is initially distributed outside Luxembourg by or with the authorisation of the issuer thereof; and
- (b) such Securities are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market,

without in any such case at the same time according to the Notes, the Receipts and the Coupons the same security as is granted to or is outstanding in respect of such Securities or such guarantee, indemnity or other like obligation or such other security or arrangement as shall be approved by an Extraordinary Resolution of the Noteholders. For the purposes of this Condition, **Securities** means bonds, debentures, notes or other similar securities of the Issuer or any other person with a stated maturity of more than one year from the creation thereof.

4. Interest

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Inflation Linked Interest Notes, Range Accrual Notes or, in the case of Exempt Notes, whether a different interest basis applies.

(a) *Interest on Fixed Rate Notes*

This Condition 4(a) applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the fixed Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of, or other relevant period following, the Interest Commencement Date is not an Interest Payment Date, in the case of Notes in definitive form will amount to the Initial Broken Amount specified in the applicable Final Terms. In the case of Notes in definitive form, if the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Interest Commencement Date) to the Maturity Date will amount to the Final Broken Amount specified in the applicable Final Terms. If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest

Payment Date in respect of the Fixed Interest Period ending on such date will amount to the Fixed Coupon Amount.

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

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

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

In these Conditions:

Determination Date(s) means the date(s) specified in the applicable Final Terms;

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment 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);

Fixed Day Count Fraction means, in respect of the calculation of an amount of interest for any Fixed Interest Period:

- (a) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (b) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.
- (c) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (d) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:

- (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) 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
 - (B) 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.

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

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.

Fixed Rate Notes may also include an interest step-up provision whereby the Rate of Interest payable increases at pre-determined periods to a pre-determined percentage per annum (as specified in the applicable Final Terms for such Notes).

(b) *Interest on Floating Rate Notes and Reference Rate Determination on Range Accrual Notes.*

This Condition 4(b) applies to Floating Rate Notes and (where specified) Reference Rate Determination on Range Accrual Notes only. The applicable Final Terms containing provisions applicable to the determination of floating rate interest must be read in conjunction with this Condition 4(b) for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Interest Payment Dates, any Interest Period End Dates, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on the Interest Payment Date(s) in each year specified in the applicable Final Terms and on the Maturity Date.

(i) *Interest Payment Dates*

The Final Terms in relation to each Series of Notes in relation to which this Condition 4(b) is specified as being applicable shall specify which of the following business day conventions shall be applicable, namely:

- (A) the **FRN Convention**, in which case interest shall be payable in arrear on each date (each an Interest Payment Date) which numerically corresponds to their Issue Date or such other date as may be specified in the applicable Final Terms or, as the case may be, the preceding Interest Payment Date, in the calendar month which is the number of months specified in the applicable Final Terms after the month in which such Issue Date or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred; provided that:
- I. if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined below) in that month;
 - II. if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - III. if such Issue Date or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the month which is the specified number of months after the month in which such Issue Date or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred; or
- (B) the **Modified Following Business Day Convention**, in which case interest shall be payable in arrear on such dates (each an Interest Payment Date) as are specified in the applicable Final Terms; provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (C) the **Following Business Day Convention**, in which case interest shall be payable in arrear on such dates (each an Interest Payment Date) as are specified in the applicable Final Terms; provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day; or

- (D) the **Preceding Business Day Convention**, in which case interest shall be payable in arrear on such dates (each an Interest Payment Date) as are specified in this applicable Final Terms; provided that, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first preceding day which is a Business Day; or
- (E) such other convention as may be specified in the applicable Final Terms.

Notwithstanding the foregoing, where the applicable Final Terms specifies that the relevant business day convention is to be applied on an "unadjusted" basis, the Interest Amount (as defined below) payable on any date shall not be affected by the application of that business day convention.

Each period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period End Date and each period beginning on (and including) an Interest Period End Date and ending on (but excluding) the next succeeding Interest Period End Date is herein called an **Interest Period**.

In these Conditions, **Business Day** means a day which is both:

- I. 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
- II. either (a) 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 currency deposits) in the principal financial centre of the country of the relevant Specified Currency (any such centre, an **Additional Business Centre** and which, if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (b) 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.

- (ii) *Rate of Interest for Floating Rate Notes and Reference Rate Determination on Range Accrual Notes*

The (A) Rate of Interest payable from time to time in respect of Floating Rate Notes; or (B) the Range Accrual Reference Rate in respect of Range Accrual Notes, will be determined in the manner specified in the applicable Final Terms (which may be **ISDA Determination**, or **Screen Rate Determination**) as described below.

- (A) *ISDA Determination for Floating Rate Notes and Range Accrual Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which (I) the Rate of Interest is to be determined, the Rate of Interest for each Interest Period, or (II) the Range Accrual Reference Rate for each Interest Period, will be the relevant ISDA Rate plus or minus (as

indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (ii), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- I. the Floating Rate Option is as specified in the applicable Final Terms;
- II. the Designated Maturity is a period specified in the applicable Final Terms; and
- III. the relevant Reset Date is the day specified in the applicable Final Terms.

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

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) Screen Rate Determination for Floating Rate Note and Range Accrual Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which (I) the Rate of Interest or (II) the Range Accrual Reference Rate for each Interest Period is to be determined, the Rate of Interest for each Interest Period or Range Accrual Reference Rate will, subject as provided below, be either:

- I. the offered quotation; or
- II. the arithmetic mean (rounded if necessary to the fourth decimal place, with 00005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) (I) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or (II) on such relevant determination date for Range Accrual Notes, as specified in the applicable Final Terms. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of

determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Agent cannot determine the Rate of Interest or the Range Accrual Reference Rate as aforementioned, because the Relevant Screen Page is not published, or if the Agent cannot make such determination for any other reason, then the Rate of Interest or the Range Accrual Reference Rate (as applicable) for the respective Interest Period shall be the arithmetic mean, (rounded, if necessary, to the nearest one thousandth of a percentage point, 0.0005 being rounded upwards) determined by the Agent of the interest rates which the Reference Banks (as defined in the Agency Agreement), quote to prime banks on the relevant Interest Determination Date for deposits in the Specified Currency for such Interest Period.

Should two or more of the Reference Banks provide the relevant quotation, the arithmetic mean shall be calculated as described above on the basis of the quotations supplied.

If less than two Reference Banks provide a quotation, then the Rate of Interest or the Range Accrual Reference Rate (as applicable) for the respective Interest Period shall be determined by the Agent. If such determination cannot be made, the Rate of Interest or the Range Accrual Reference Rate (as applicable) shall be determined as at the last preceding Interest Determination Date.

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

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

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4(b):

- (a) if **Actual/Actual (ISDA)** or **Actual/Actual** 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 (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (d) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (e) 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:

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

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

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

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

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

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

- (f) 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:

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

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

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

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

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

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

- (g) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) 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
 - (B) 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.

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified (by no later than the first day of each Interest Period) to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(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 4(b), whether by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Exempt Notes*

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 4(b) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

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

(d) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 13.

(e) *Interest on Range Accrual Notes*

The Interest Amount payable on each Range Accrual Note on each Interest Payment Date up to (and including) the Maturity Date shall be an amount determined by the Calculation Agent in accordance with the following formula ending on or around such Interest Payment Date:

$$\text{Interest Amount} = \text{Specified Denomination} \times (\text{Fixed Rate} \times (\text{Days Accrued} / \text{Actual Days}) \times \text{Day Count Fraction})$$

For the purposes of Range Accrual Notes, the terms set out below have the following meanings:

Actual Days means, in relation to each Interest Period, the number of calendar days in such Interest Period.

Daily Observation means the days in such Interest Period the Range Accrual Reference Rate is capable of determination.

Day Count Fraction means the day count fraction as specified in the applicable Final Terms.

Days Accrued means, in relation to each Interest Period, the number of calendar days in such Interest Period at which the Range Accrual Reference Rate is (a) equal or greater than the Lower Range and (b) equal or less than the Upper Range.

Fixed Rate means the fixed rate as specified in the applicable Final Terms, subject to any adjustment to the Fixed Rate for subsequent Interest Periods, as specified in the applicable Final Terms.

Lower Range means the Lower Range as specified in the applicable Final Terms, subject to any adjustment to the Lower Range for subsequent Interest Periods, as specified in the applicable Final Terms.

Range Accrual Reference Rate means such reference rate as specified in the applicable Final Terms, whereby such specified reference rate shall be determined by the Calculation Agent according to Condition 4(b)(ii)(A) (ISDA Determination) or (B) (Screen Rate Determination), whichever is so specified in the applicable Final Terms.

Upper Range means the Upper Range as specified in the applicable Final Terms, subject to any adjustment to the Upper Range for subsequent Interest Periods, as specified in the applicable Final Terms.

(f) *Interest Deferral*

(i) Interest Deferral on Tier III Subordinated Notes

If the Notes are specified as Tier III Subordinated Notes in the applicable Final Terms, payments of interest in respect of the Notes may be deferred in certain circumstances as described in Condition 5.8.

(ii) Interest Deferral on Upper Tier II Subordinated Notes

The Issuer reserves the right to defer payment of interests in respect of Upper Tier II Subordinated Notes with the prior approval of the CSSF.

5. Payments

5.1 *Method of Payment*

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or 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 Auckland, respectively);

- (b) 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.
- (c) References to Specified Currency will include any successor currency under applicable law.

5.2 *Payments subject to fiscal and other laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approval thereto.

5.3 *Presentation of Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph 5.1 above only against surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender 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 and its possessions).

Fixed Rate Notes in definitive form and save as provided in Condition 5.4 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 ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) 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 or Inflation Linked Interest Note in definitive form becomes due and repayable, 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.

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

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note (against presentation or surrender

(as the case may be) of such global Note if the global Note is not intended to be issued in new global note (NGN) form) at the specified office of any Paying Agent. On the occasion of each payment, (a) in the case of any global Note which is not issued in NGN form, a record of such payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent, and (b) in the case of any global Note which is a NGN, the Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

5.4 *Specific provisions in relation to payments in respect of certain types of Exempt Notes*

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Index Linked Interest Note in definitive form becomes due and repayable, 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.

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 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 to, or to the order of, the holder of such global Note.

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

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

5.5 *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (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:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) each Additional Financial 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 New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 *Interpretation of Principal and Interest*

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

5.7 *Physical Delivery Notes*

- (a) *Physical Delivery*
 - (i) *Asset Transfer Notices*

In relation to Physical Delivery Notes, in order to obtain delivery of the Asset Amount(s) in respect of any Note:

- (A) if such Note is represented by a Global Note, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable) (each a relevant **Clearing System**), with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice; and
- (B) if such Note is in definitive form, the relevant Noteholder must deliver to any Paying Agent with a copy to the Issuer not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice.

For the purposes of this Condition:

Asset Amount means the amount of Relevant Asset relating to each Note as set out in the Final Terms;

Asset Transfer Notice means asset transfer notice in the form set out in the Agency Agreement duly completed in accordance with the provisions of this Condition;

Cut-off Date means the date falling three Business Days prior to the Delivery Date; and

Relevant Asset means the asset defined as such in the applicable Final Terms.

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of any Paying Agent.

An Asset Transfer Notice may only be delivered (a) if such Note is represented by a Global Note in such manner as is acceptable to the relevant Clearing System, or (b) if such Note is in definitive form, in writing together with the Note.

The Asset Transfer Notice shall:

- I. specify the name and address of the relevant Noteholder and the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Final Terms;
- II. in the case of Notes represented by a Global Note, specify the nominal amount of Notes which are the subject to such notice and the number of the Noteholder's account at the relevant Clearing System to be debited with such Notes and irrevocably instruct and authorise the relevant Clearing System, as the case may be, to debit the relevant Noteholder's account with such Notes on or before the Delivery Date;
- III. include an undertaking to pay all Delivery Expenses and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder at the relevant Clearing System, as the case may be, in respect thereof and to pay such Delivery Expenses;
- IV. specify an account to which dividends (if any) payable pursuant to this Condition 5.7 or any other cash amounts specified in the applicable Final Terms are being payable are to be paid;

- V. certify that the beneficial owner of each Note is not a U.S. person (as defined in the Asset Transfer Notice), the Note is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;
- VI. authorise the production of such notice in any applicable administrative or legal proceedings,

For the purposes of this Condition, **Delivery Expenses** means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the delivery of the Asset Amount.

(ii) *Verification of the Holder*

Upon receipt of an Asset Transfer Notice the relevant Clearing System shall verify that the person delivering the Asset Transfer Notice is the holder of the Notes described therein according to its records. Subject thereto, the relevant Clearing System will confirm to the Agent the series number and number of Notes the subject of such notice, the relevant account details and the details for the delivery of the Asset Amount relating to each Note. Upon receipt of such confirmation, the Agent will inform the Issuer thereof.

(iii) *Determinations and Delivery*

Failure properly to complete and deliver an Asset Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Conditions shall be made, in the case of Notes represented by a Global Note, by the relevant Clearing System, after consultation with the Issuer and shall be conclusive and binding on the Issuer and the relevant Noteholder and, in the case of Notes in definitive form, by the relevant Paying Agent after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

If any Asset Transfer Notice deemed null and void in accordance with the foregoing paragraph is subsequently corrected to the satisfaction of the relevant Clearing System in consultation with the Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such corrected Asset Transfer Notice was delivered to the relevant Clearing System (with a copy to the Agent).

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearing System or the Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

The Asset Amount will be delivered at the risk of the relevant Noteholder, in the manner provided below on the Maturity Date (such date, subject to adjustment in accordance with this Condition, the **Delivery Date**), provided that the Asset Transfer Notice is duly delivered to the relevant Clearing System (with a copy to the Agent), as provided above on or prior to the Cut-Off Date.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to the Agent, on or prior to the Cut-Off Date, then the Asset Amount will be delivered as soon as practicable after the Maturity Date, as defined in the Final Terms (in which case, such date of delivery shall be deemed the Delivery Date) at the risk of such Noteholder in the manner provided below. In such circumstances the relevant Noteholder shall not be entitled to any payment, whether of interest or otherwise, and the Issuer shall have no liability whatsoever, as a result of the Delivery Date falling after the Maturity Date.

The Issuer shall, at the relevant Noteholder's risk, deliver or procure the delivery of the Asset Amount relating to each Note, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole and absolute discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice. No delivery of the Asset Amount shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

(iv) *General*

Notes held by the same Noteholder will be aggregated for the purpose of determining the aggregate Asset Amount in respect of such Notes, provided that, the aggregate Asset Amount in respect of the same Noteholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and no cash adjustment will be made in respect thereof.

Following the Delivery Date of a share certificate all dividends on the relevant shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the shares executed on the Delivery Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a Noteholder will be paid to the account specified by the Noteholder in the relevant Asset Transfer Notice as referred to in Condition 5.7(a)(i).

For such period of time after delivery of the Asset Amount as the Issuer or any person acting on behalf of the Issuer shall continue to be the legal owner of the securities comprising the Asset Amount (the **Intervening Period**), none of the Issuer, the Calculation Agent or any other person shall at any time (A) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (B) be under any obligation to exercise or procure the exercise of any or all rights attaching to such securities or obligations or (C) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner during such Intervening Period of such securities or obligations.

(v) *Settlement Disruption*

If, in the opinion of the Calculation Agent, delivery of the Asset Amount using the method of delivery specified in the applicable Final Terms, or such other commercially reasonable manner as the Calculation Agent has determined, is impracticable because a Settlement Disruption Event (as defined below) has occurred and is continuing on the Delivery Date, then it shall give notice as soon as

practicable to the Noteholders in accordance with Condition 13 and the Delivery Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event, provided that, the Issuer may elect in its sole and absolute discretion to satisfy its obligations in respect of the relevant Note by delivering the Asset Amount using such other commercially reasonable manner as it may select and, in such event, the Delivery Date shall be such day as the Issuer deems appropriate (acting in a commercially reasonable manner). Noteholders shall not be entitled to any payment, whether on account of interest or otherwise, and the Issuer shall have no liability whatsoever, as a result of the Delivery Date being postponed due to the occurrence of a Settlement Disruption Event.

Where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Asset Amount, the Delivery Date for the Relevant Assets unaffected by the Settlement Disruption Event will be the originally designated Delivery Date. For so long as delivery of part of the Asset Amount is impracticable by reason of a Settlement Disruption Event, then in lieu of physical delivery of the affected Relevant Asset(s), and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion to satisfy its obligations in respect of the affected portion of the relevant Note(s) by paying the relevant Noteholder(s), the Disruption Cash Redemption Amount (as defined below) on the fifth Business Day following the date on which Noteholders are notified in accordance with Condition 13 of (A) such election having been made and (B) the manner in which the Issuer intends to pay the Disruption Cash Redemption Amount.

For the purposes of this Condition:

Disruption Cash Redemption Amount shall be, in respect of any Note, the fair market value of such Note (taking into account, where the Settlement Disruption Event affected some but not all of the Relevant Assets included in the Asset Amount and such unaffected Relevant Assets have been duly delivered as provided above, the value of such unaffected and delivered Relevant Assets), less the cost to the Issuer of unwinding any related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion;

Settlement Business Day, in respect of each Note, has the meaning specified in the applicable Final Terms relating to such Note; and

Settlement Disruption Event means an event that is beyond the control of the Issuer, including illiquidity in the market for the Relevant Assets as a result of which the Issuer cannot make delivery of the Relevant Asset(s) using the method specified in the applicable Final Terms, all as determined by the Calculation Agent.

(b) *Variation of Settlement*

If so specified in the applicable Final Terms, the Issuer may, in its sole and absolute discretion, elect (i) to deliver or procure delivery on the Maturity Date of the Asset Amount relating to each Note in lieu of its obligation to pay Noteholders the Early Redemption Amount or (ii) to pay Noteholders the Redemption Amount on the Maturity Date in lieu of its obligation to deliver or procure delivery of the Asset Amount. Notification of any such election will be given to Noteholders in accordance with Condition 13.

(c) *Rights of Noteholders and Calculations*

None of the Issuer, the Calculation Agent or any of the Paying Agents shall have any responsibility for any errors or omissions committed in connection with any of the calculations or determinations contemplated in this Condition 5.

The purchase of Notes linked to one or more Relevant Assets does not confer on holders of such Notes any rights (whether in respect of voting, distributions or otherwise) in connection with the applicable Relevant Asset(s).

For the purposes of these Conditions, **Redemption Amount** means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be.

5.8 *Payment Deferral (Tier III Subordinated Notes)*

(a) *Deferral of Payment*

If the Notes are specified as Tier III Subordinated Notes in the applicable Final Terms then, subject as follows, all payments of principal and interest in respect of the Notes must be made on their due date as set out in the applicable Final Terms.

The Issuer will not make any payment on its due date if, after making such payment, the Issuer would be in breach of its integrated capital adequacy ratio (**Integrated Capital Adequacy Ratio**) as defined in the Circular CSSF 2006/273 dated 22 December 2006 defining capital ratios pursuant to article 56 of the amended Luxembourg law of 5 April 1993 on the financial sector as amended (the **Circular CSSF 2006/273**). In such circumstances the Issuer shall, by notice in writing (a **Deferral Notice**) (published in accordance with Condition 13) to the holders of Tier III Subordinated Notes, defer the due date for payment of any principal or interest in respect of such Notes and, accordingly, on the giving of a Deferral Notice the due date for such payments shall be so deferred. The Issuer shall, to the extent possible, issue each Deferral Notice at least five Business Days (as defined in Condition 4(b)) prior to the relevant due date if such due date is to be deferred.

(b) *Payment Arrears*

Without prejudice to Condition 9.2(b), any amounts due in respect of the Tier III Subordinated Notes which are not paid on their scheduled due date shall, so long as the same remains unpaid, constitute **Payment Arrears**. All Payment Arrears on all Tier III Subordinated Notes outstanding shall become due in full (together with all Additional Interest (as defined below) accrued in respect thereof) on whichever is the earliest of:

- (i) the date upon which the Issuer can first make payment of the Payment Arrears in full, together with all accrued Additional Interest, without, after such payment, being in breach of its Integrated Capital Adequacy Ratio; and
- (ii) the date upon which a judgment is rendered or an effective voluntary resolution is passed for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer.

The Issuer shall, to the extent possible, give notice in accordance with Condition 13 of its intention to pay Payment Arrears and Additional Interest to all relevant Noteholders not less than seven days prior to the scheduled payment date for payment thereof.

If notice is given by the Issuer of its intention to pay all Payment Arrears together with all Additional Interest accrued in respect thereof, the Issuer shall be obliged to do so on the

expiry of such notice, except if after such payment it would be in breach of its Integrated Capital Adequacy Ratio.

(c) *Additional Interest*

Payment Arrears shall bear interest (**Additional Interest**) at the Fixed Rate of Interest, in the case of Tier III Subordinated Notes which are Fixed Rate Notes, or the Rate of Interest, in the case of Tier III Subordinated Notes which are Floating Rate Notes, in each case plus an additional rate of 0.5% per annum which shall accrue on a daily basis for each successive period of 12 calendar months (**Additional Interest Period**) from and including the scheduled date on which such Payment Arrears may or should have been paid and ending on the day immediately preceding the last date of the Additional Interest Period. Additional Interest shall only be payable until the actual date of payment of all outstanding Payment Arrears. All Additional Interest which is not paid at the end of each Additional Interest Period shall become Payment Arrears and bear interest accordingly.

(d) *No Default*

Neither any deferral of payment under paragraph 5.8(a) of this Condition nor the failure to make payments of Payment Arrears or Additional Interest, where if it were to make such payments the Issuer would be in breach of its Integrated Capital Adequacy Ratio, shall constitute a default by the Issuer for any purpose.

6. **Redemption and Purchase**

6.1 *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below (and subject to Condition 5.8 and, if the Notes are specified as Upper Tier II Subordinated Notes in the applicable Final Terms, subject to the prior approval of the CSSF), each Note (including each Index Linked Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms or determined in the manner specified in these Conditions in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 *Redemption for Tax Reasons*

Subject to Condition 6.8, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note or an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Inflation Linked Interest Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

- (a) 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 7 as a result of any change in, or amendment to, the laws or regulations of Luxembourg 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 (including, for the avoidance of doubt, any change resulting from the EC Council Directive 2003/48/EC on the taxation of savings income), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer 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 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 to make available at its specified office to the Noteholders (i) a certificate signed by two Members of the Executive Committee of the Issuer 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 (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in paragraph 6.5 below together (if appropriate) with interest accrued (but unpaid) to (but excluding) the date of redemption (including, if the Notes are specified as Tier III Subordinated Notes in the applicable Final Terms, all Payment Arrears and Additional Interest).

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

This Condition 6.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 for full information on any **Issuer Call**. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms and if, where the Notes are specified as Subordinated Notes in the applicable Final Terms, the Issuer obtains the prior approval of the CSSF, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all or, unless otherwise specified in the applicable Final Terms, some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued (but unpaid) to (but excluding) the relevant Optional Redemption Date (including, if the Notes are specified as Tier III Subordinated Notes in the applicable Final Terms, all Arrears of Interest and Additional Interest Amounts). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Maximum Redemption Amount (in each case as may be specified in the applicable Final Terms). In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (and if the global Note is intended to be issued in NGN form to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

6.4 *Redemption at the Option of the Noteholders (Investor Put) (not applicable to Subordinated Notes)*

This Condition 6.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an Investor Put. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 6.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If the Notes are specified as Senior Notes in the applicable Final Terms and if Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued (but unpaid) to (but excluding) the Optional Redemption Date.

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

If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, common safekeeper for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a global Note which has not been issued in NGN form, at the same time present or procure the presentation of the relevant global Note to the Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 9.

6.5 *Early Redemption Amounts*

For the purpose of paragraph 6.2 above and Condition 9 the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (a) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the

applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at its nominal amount; or

- (c) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case) the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.6 *Specific redemption provisions applicable to certain types of Exempt Notes*

For the purposes of Condition 6.2, Index Linked Interest Notes may be redeemed only on an Interest Payment Date.

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement. If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

6.7 *Purchases*

Subject to Condition 6.8, the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

6.8 *Redemption or Purchase of Subordinated Notes*

- (a) *All Subordinated Notes*

Subordinated Notes may not be redeemed prior to their stated maturity date (if any) or purchased by or on behalf of the Issuer or any of its subsidiaries without the prior consent of the CSSF.

(b) *Tier III Subordinated Notes*

Payments due from the Issuer in connection with the redemption of Tier III Subordinated Notes may be deferred in certain circumstances as described in Condition 5.8.

(c) *Undated Subordinated Notes*

Unless a prior approval for early redemption has been requested from the CSSF by the Issuer (in which case the CSSF may authorise the early redemption provided the solvency (and the relevant Integrated Capital Adequacy Ratio) of the Issuer is not affected thereby) or the Notes are no longer treated as capital (*fonds propres*) for the purposes of the CSSF, undated Subordinated Notes which are Lower Tier II Subordinated Notes may only be redeemed by the Issuer on giving five years' notice.

Unless otherwise agreed by the CSSF, undated Subordinated Notes which are Upper Tier II Subordinated Notes may be redeemed by the Issuer on giving five years' notice and Undated Subordinated Notes which are Tier III Subordinated Notes may be redeemed by the Issuer on giving two years' notice. In addition, in the case of Upper Tier II Subordinated Notes redemption is subject to the prior approval of the CSSF.

(d) *Dated Subordinated Notes*

Dated Lower Tier II Subordinated Notes may be redeemed at maturity (which cannot be less than five years) without the prior approval of the CSSF.

(e) *Upper Tier II Subordinated Notes and absorption of losses*

Principal and interest due under Upper Tier II Subordinated Notes (*fonds propres complémentaires*) within the meaning of Circular CSSF 2006/273 as amended may be used by the Issuer in certain circumstances to absorb its losses.

6.9 *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to paragraph 6.8 above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.10 *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph 6.5(c) 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:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders either in accordance with Condition 13 or individually.

7. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Luxembourg 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 will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who (i) is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with Luxembourg other than the mere holding of such Note, Receipt or Coupon or (ii) would not be liable or subject to such taxes or duties by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (b) 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 an additional amount on presenting the same for payment on such 30th day; or
- (c) where such withholding or deduction is imposed on a payment to an individual or a residual entity within the meaning of the EC Council Directive 2003/48/EC on the taxation of savings income (**Savings Directive**) and is required to be made pursuant to the law of 23 December 2005, as amended, the Savings Directive or any other directive implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) 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 5.3 or any Talon which would be void pursuant to Condition 5.3.

9. Events of Default and Enforcement

9.1 Provisions relating to Senior Notes

If the Notes are specified as Senior Notes in the applicable Final Terms and if any one or more of the following events (each an **Event of Default**) shall occur:

- (a) default is made for more than seven days in the payment of any principal due under the Notes or any of them or for more than 14 days in the payment of any interest due under the Notes or any of them; or
- (b) the Issuer fails to perform or observe any of its other obligations under these Terms and Conditions and (except in any case where the failure is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) any order is made by any competent court or resolution passed for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer, save for the purposes of merger or reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or
- (d) the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of merger or reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (e) the Issuer becomes insolvent within the meaning of Luxembourg bankruptcy law or applies for or consents to or suffers the appointment of a liquidator (*liquidateur*), an administrator in a regime of reprieve from payment (*administrateur*) of the Issuer or of the whole or a substantial part of the undertaking, property, assets or revenues of the Issuer or initiates proceedings under any applicable laws for a readjustment or deferral of its obligations or any substantial part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or any court order is rendered or an effective voluntary resolution is passed for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer or to admit the Issuer to a regime of reprieve from payment (*sursis de paiement*); or
- (f) the Grand Duchy of Luxembourg ceases to own, directly or indirectly, at least fifty one per cent. (51%) of the share capital of the Issuer, as fixed in article 37 of the Law dated 24 March 1989 on the Banque et Caisse d'Epargne de l'Etat, Luxembourg, as amended, of the Grand Duchy of Luxembourg,

then any Noteholder may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare the Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6.5), together with accrued interest (if any) to the date of repayment, without presentation, demand, protest or other notice of any kind.

9.2 Provisions relating to Subordinated Notes

- (a) If the Notes are specified as Subordinated Notes in the applicable Final Terms and if:
 - (i) *Liquidation*

a judgment is made or an effective resolution is passed for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer, save for the purposes of a merger or reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, the holder of any Note may give written notice to the Agent at its specified office that such Note is due and payable, whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6.5), together with accrued interest (if any) to the date of repayment (including, in the case of Tier III Subordinated Notes, any Payment Arrears) without presentation, demand, protest or other notice of any kind; or

(ii) *Non Payment*

default is made for more than seven days in the payment of any principal due under the Notes or any of them, or for more than 14 days in the payment of any interest due under the Notes or any of them, any Noteholder may ask the relevant authorities to institute proceedings in Luxembourg (but not elsewhere) in accordance with Part IV of the Luxembourg act dated 5 April 1993 concerning the financial sector, as amended (the **Banking Act 1993**) for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer.

Although the relevant authorities may take into account a request from a Noteholder to institute proceedings in Luxembourg for the dissolution and liquidation of the Issuer, they are not in any way bound to do so following the receipt of such a request or on any other basis. In determining whether to institute any such proceedings against the Issuer, the relevant authorities act solely on the basis of their own discretion and in accordance with Luxembourg law. Subject to such request from a Noteholder as described in this Condition 9.2(a)(ii), a Noteholder shall not be able to take proceedings for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer.

(b) *Breach of Obligations*

To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes or the Coupons, but the institution of such proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

(c) *Other Remedies*

No remedy against the Issuer, other than the institution of the proceedings referred to in Condition 9.2(a)(ii) or (b) and the proving or claiming in any dissolution and liquidation of the Issuer, shall be available to the Noteholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes or the Coupons or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Notes or the Coupons.

10. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable law, at the specified office of the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.

Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Agent and Paying Agents

The names of the initial Agent, the initial Issuing Agent and the other initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms .

The Issuer is entitled to vary or terminate the appointment of any Paying Agent or the Issuing Agent and/or appoint additional or other Paying Agents or Issuing Agents, as the case may be, and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) so long as the Notes are listed on any stock exchange, 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;
- (b) there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (c) there will at all times be an Agent and an Issuing Agent; and
- (d) there will at all times be a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to EC Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5.4. Notice of any variation, termination, appointment or change given to the Noteholders promptly in accordance with Condition 13.

12. Exchange of Talons

On and after the Interest Payment 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, the Issuing Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

13. Notices

All notices regarding the Notes shall be published (i) in a leading English language daily newspaper of general circulation in London and (ii) for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or on Luxembourg Stock Exchange's website at www.bourse.lu. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. If the Notes are governed by Luxembourg law (as specified in the applicable Final Terms), notices shall also be published in the *Mémorial, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations* (the *Mémorial*), to the extent required by Luxembourg law. 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 on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper on the date of the first publication in each such newspaper or, where published in such newspapers on different dates, on the last date of such first publication.

Until such time as any definitive Notes are issued, there may, so long as any global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or 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 so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any holder of the Notes 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 is represented by a global Note, such notice may be given by any holder of a Note to the Agent via 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.

14. Meetings of Noteholders, Modification and Waiver

14.1 Notes governed by English law

If the Notes are governed by English law (as specified in the applicable Final Terms), the Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority of the nominal amount of the Notes for the time being outstanding, or at any adjourned 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, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, 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, Receipts or Coupons), the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the nominal amount of the Notes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

14.2 Notes governed by Luxembourg law

If the Notes are governed by Luxembourg law (as specified in the applicable Final Terms), Noteholders will belong to a masse (the *Masse*) created, among other things, for the representation of their common interests pursuant to the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the **Companies Act 1915**). The

following is a summary of the relevant provisions of the Luxembourg Company Law. A general meeting of the Noteholders (the **Masse Meeting**) or a court order may appoint and determine the powers of one or more representatives (the **Representatives**). Where Representatives have been appointed, Noteholders may no longer individually exercise their rights against the Issuer. A *Masse Meeting* may be called at any time by the Representatives (if any), the Board of Directors of the Issuer or the auditors of the Issuer. The Representatives of the Issuer, provided an advance on expenses has been paid to them by the Issuer, or the Board of Directors or the auditors of the Issuer must convene the *Masse Meeting* if called upon to do so by holders of Notes representing five per cent. or more of the Notes outstanding. Meetings of Noteholders will be convened by notices published twice at least eight days' interval and eight days prior to the meeting in the *Mémorial* and in one Luxembourg newspaper. All *Masse Meetings* shall be held at the place specified in the notice calling the meeting. All Noteholders have the right to attend and vote at the *Masse Meeting* either personally or by proxy. The voting rights attached to the Notes are equal to the proportion of the principal amount of the Notes represented by the principal amount of the Note or Notes held by the relevant holder. Each Note gives the right to at least one vote. A *Masse Meeting* may be called to approve certain changes in the rights of the Noteholders and may, generally, determine any measures designed to ensure the defence of interests or the exercise of the rights of the Noteholders in accordance with the provisions of the Luxembourg Company Law. A *Masse Meeting* must be called when it is proposed that the corporate object or the legal form of the Issuer is amended. A *Masse Meeting* may deliberate validly without a quorum and by vote of a simple majority of Noteholders attending or represented at such *Masse Meeting* on the appointment and revocation of the Representatives, the revocation of special representatives appointed by the Issuer and the approval of any measures of a conservatory nature in the general interests of the Noteholders. On all other matters (except in respect of certain matters, including a change in the nationality of the Issuer, where unanimous consent is required) the *Masse Meeting* may deliberate validly on first convocation only if Noteholders present or represented hold at least 50% of the Notes then outstanding. The Board of Directors of the Issuer or Noteholders representing 20% of the Notes then outstanding may require the adjournment of the meeting for four weeks. A new meeting must be called for by convening notices to be published twice within a time period of 15 days and 15 days before the second meeting in two Luxembourg newspapers and in the *Mémorial*. On second convocation no quorum is required (except in respect of certain matters, including a change in the nationality of the Issuer, where unanimous consent is required). Decisions at such meetings shall be taken by a majority of $66\frac{2}{3}$ % of the votes cast by Noteholders attending such meetings or represented thereat.

14.3 *Minor Modifications and Corrections*

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, Receipts or Coupons or the Agency Agreement 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, waiver or authorisation shall be binding on the Noteholders, Receiptholders and Couponholders and shall be notified to the Noteholders as soon as practicable thereafter.

The provisions of articles 86 to 94-8 of the Luxembourg Company Law shall not apply to Notes, Receipts or Coupons governed by English law.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. Substitution

Subject to the provisions of this Condition, the Noteholders, the Receiptholders and the Couponholders, by subscribing to or purchasing any of the Notes, Receipts or Coupons, expressly consent to the Issuer, or any previously substituted company, at any time, but where applicable with the prior authorisation of the CSSF, substituting for itself as principal debtor under the Notes, the Receipts or the Coupons any company in which the Issuer holds whether directly or indirectly in excess of a majority of the voting rights (the **Substituted Debtor**), whether or not incorporated in Luxembourg, provided that no payment in respect of the Notes, the Receipts or the Coupons is at the relevant time overdue, no steps have been taken to admit the Issuer to a regime of reprieve from payment (*sursis de paiement*) and no judgment has been rendered or effective voluntary resolution has been passed for the dissolution (*dissolution*) and liquidation (*liquidation*) of the Issuer. Such substitution effected in accordance with this Condition will release the Issuer or any previously substituted company and the Noteholders, the Receiptholders and Couponholders expressly consent hereto on the terms of (a) below (in the case of English law governed Notes) and (b) below (in the case of Luxembourg law governed Notes):

(a) *Notes governed by English law*

- (i) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or of any previous substitute under this Condition) and pursuant to which the Issuer shall unconditionally and irrevocably guarantee in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor in respect of the Notes;
- (ii) without prejudice to the generality of subparagraph (i) above, if the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was incorporated, domiciled or resident for taxation purposes (the **Former Residence**), the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 7 above, with, where applicable, the substitution of references to the Former Residence with references to the New Residence;
- (iii) the Documents shall contain a warranty and representation (A) that the Substituted Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the issue by the Issuer of a guarantee in respect of the obligations of the Substituted Debtor (the **Guarantee**), that the Substituted Debtor has obtained all necessary governmental and regulatory

approvals and consents for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (B) that the obligations assumed by the Substituted Debtor in respect of the Notes and the Agency Agreement and the obligations assumed by the Issuer under the Guarantee are, in each case, valid and binding in accordance with their respective terms and enforceable by each Noteholder;

- (iv) each stock exchange on which the Notes are listed shall have confirmed that, following the proposed substitution of the Substituted Debtor, such Notes will continue to be listed on such stock exchange;
- (v) the Substituted Debtor shall have appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes, Receipts or Coupons; and
- (vi) legal opinions shall have been delivered to the Agent (from whom copies will be available) (in each case dated not more than three days prior to the intended date of substitution) from legal advisers of good standing selected by the Issuer in each jurisdiction in which the Issuer and the Substituted Debtor are incorporated and in England confirming, as appropriate, that upon the substitution taking place (A) the requirements of this Condition, save as to the giving of notice to the Noteholders, have been met and (B) the Guarantee is a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms and (C) the Notes, Receipts and Coupons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms.
- (vii) Upon the execution of the Documents as referred to in paragraphs (i) to (vi) above, the Substituted Debtor shall be deemed to be named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in place of the Issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution of a Substituted Debtor as principal debtor, operate to release the Issuer or the previous substitute as aforesaid from all of its obligations as principal debtor in respect of the Notes, the Agency Agreement and the Deed of Covenant.
- (viii) The Documents shall be deposited with and held by the Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (ix) Not later than 20 days after the execution of the Documents the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 13.
- (x) At any time after a substitution pursuant to paragraphs (i) to (vi) above, the Substituted Debtor may, without the consent of the Noteholders, effect a further substitution provided that all the provisions specified in paragraphs (i) to (ix) above shall apply, *mutatis mutandis*, and, without limitation, references in the Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.

- (xi) At any time after a substitution pursuant to paragraphs (i) to (vi) or (x) above, any Substituted Debtor may, without the consent of the Noteholders, reverse the substitution, *mutatis mutandis*.

(b) *Notes governed by Luxembourg law*

The substitution will be made by a written undertaking (the **Undertaking**) and may take place only if:

- (i) the Substituted Debtor, by means of the Undertaking, agrees to indemnify each Noteholder, Receiptholder and Couponholder against any tax, duty, assessment, withholding, deduction or governmental charge which is imposed on it by (or by any taxing authority in or of) the jurisdiction of the country of the Substituted Debtor's residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon or Talon (if any) and which would not have been so imposed had the substitution not been made, as well as against any tax, duty assessment or governmental charge, and any cost or expense, relating to the substitution;
- (ii) unless the Substituted Debtor is the successor company of the Issuer or one or more companies to whom the Issuer has transferred all of its assets and business undertakings each of whom are to be jointly and severally liable as principal debtor, the obligations of the Substituted Debtor under the Undertaking, the Notes, the Receipts and the Coupons are unconditionally and irrevocably guaranteed by the Issuer (the **Guarantor**) by means of a guarantee contained in the Undertaking (the **Guarantee**);
- (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Undertaking, the Notes, the Receipts, the Coupons and the Talons (if any) represent valid, legally binding and enforceable obligations of the Substituted Debtor and, in the case of the Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect;
- (iv) the Substituted Debtor has become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (v) legal opinions addressed to the Noteholders have been delivered to them (care of the Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above as to the fulfilment of the preceding conditions of this Condition 16 and the other matters specified in the Undertaking;
- (vi) the substitution does not affect adversely the rating of the Notes by Moody's Investors Service Limited and Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc. or, if any such rating agency does not exist at the relevant time, any two existing internationally recognised rating agencies; and
- (vii) the Issuer has given at least 14 days' prior notice to such substitution to the Noteholders, stating that copies of all documents (in draft or final form) in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents.

References in Condition 9 to obligations under the Notes shall be deemed to include obligations under the Undertaking and, where the Undertaking contains a Guarantee,

the events listed in Conditions 9.1 and 9.2 shall be deemed to include such Guarantee not being (or being claimed by the Guarantor not to be) in full force and effect. In addition, the Guarantee shall contain:

- (A) in the case of Senior Notes, events of default in respect of the Notes in the same terms as Condition 9.1 relating to the Guarantor (except that references in Condition 9.1 to failure to pay principal and interest on the Notes shall be a reference to failure to pay under the Guarantee); and
- (B) in the case of Subordinated Notes, the Guarantee shall contain rights of enforcement in the form of Condition 9.1.

17. Contracts (Rights of Third Parties) Act 1999 (*Notes governed by English law only*)

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. Governing Law and Submission to Jurisdiction

18.1 If the Notes are specified as being governed by English law in the applicable Final Terms, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Notes, the Receipts or the Coupons are governed by, and shall be construed in accordance with, English law.

If the Notes (including all Subordinated Notes) are specified as being governed by Luxembourg law in the applicable Final Terms, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, Luxembourg law.

- 18.2
- (a) If the Notes are specified as being governed by English law in the applicable Final Terms, subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Agency Agreement, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, Notes, the Receipts and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and the Agents, any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
 - (b) For the purposes of this Condition 18.2, and where the Notes are specified as being governed by English law in the applicable Final Terms, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
 - (c) To the extent allowed by law, the Agents, the Noteholders, the Receiptholders and the Couponholders 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.
 - (d) Process in respect of any suit, action or proceedings relating to any Dispute shall be validly served on the Issuer by service on it at its registered office for the time being in Luxembourg or in any other manner from time to time permitted by law. Nothing herein shall affect the right to serve process in any other manner permitted by law.

- (e) If the Notes are specified as being governed by Luxembourg law in the applicable Final Terms, the Issuer agrees for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders that the courts of Luxembourg, the Grand Duchy of Luxembourg, are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the relative Receipts, Coupons and/or Talons and that accordingly any Proceedings arising out of or in connection with such Notes, Receipts, Coupons and Talons may be brought in such courts.
- (f) The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

19. Additional Provisions Applicable to Index Linked Redemption Notes

This Condition 19 applies to Index Linked Redemption Notes only. The Technical Annex set out on pages 196 to 202 of this Prospectus contains provisions relating to the formula used to determine the payoff under Index Linked Redemption Notes and the applicable Final Terms contains provisions applicable to the determination of the performance of the relevant Index or Indices as well as other relevant provisions and must be read in conjunction with this Condition 19 and with the Technical Annex for full information on any Index Linked Redemption Notes. In particular, the applicable Final Terms will identify the relevant Index or Indices, the relevant Screen Page, the Component Transactions, the applicable formula.

(a) *Market Disruption*

Market Disruption Event means, in relation to Notes relating to a single Index or Basket of Indices, the occurrence or existence of (i) a Trading Disruption or, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (x) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins or ends at the time when the level of such Index triggers respectively the Knock-in Level or the Knock-out Level or (y) in all other circumstances ends at the relevant Valuation Time, or (iii) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a security, a commodity, a contract or a Component Transaction included in such Index at any time, then the relevant percentage contribution of that security, that commodity, that contract or that Component Transaction to the level of such Index shall be based on a comparison of (x) the portion of the level of such Index attributable to that security, that commodity, that contract or that Component Transaction and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 13 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day would have been an Averaging Date, an Observation Date, a Knock-in Determination Day, a Knock-out Determination Day or a Valuation Date.

(b) *Adjustments to an Index*

(i) *Successor Index Sponsor Calculates and Reports an Index*

If a relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the **Successor Index**) will be deemed to be the Index.

(ii) *Modification and Cessation of Calculation of an Index*

If (i) on or prior to the last Valuation Date, last Observation Date, last Averaging Date, the last Knock-in Determination Day or the last Knock-out Determination Day, 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, contracts, commodities or Component Transaction and other routine events) (an **Index Modification**), or permanently cancels a relevant Index and no Successor Index exists (an **Index Cancellation**), or (ii) on a Valuation Date, an Observation Date, an Averaging Date, a Knock-in Determination Day or Knock-out Determination Day, the Index Sponsor or (if applicable) any successor to the Index Sponsor (the **Successor Index Sponsor**) fails to calculate and announce a relevant Index (an **Index Disruption** and, together with an Index Modification and an Index Calculation, each an **Index Adjustment Event**), then,

(A) the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Settlement 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, Observation Date, Averaging Date, Knock-in Determination Day or Knock-out Determination Day, as the case may be, 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/contracts/commodities/Component Transactions that comprised that Index immediately prior to that Index Adjustment Event; or

(B) on giving notice to Noteholders in accordance with Condition 13, the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of a Note taking into account the Index Adjustment Event, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 13.

(iii) *Notice*

The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any determination made by it pursuant to paragraph (ii) above and the action proposed to be taken in relation thereto and such Agent shall make available for inspection by Noteholders copies of any such determinations.

(c) *Correction of Index*

With the exception of any corrections published after the day which is three Exchange Business Days prior to the due date for any payment of a Redemption Amount, if the Index published on a given day and used or to be used by the Calculation Agent to determine any Redemption Amount is subsequently corrected and the correction published by the relevant Index Sponsor within 30 days of the original publication, the level to be used shall be the level of the Index as so corrected. Corrections published after the day which is three Exchange Business Days prior to the relevant redemption date will be disregarded by the Calculation Agent for the purposes of determining any redemption amount.

(d) *Additional Disruption Events*

(i) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (A) or (B) below:

(A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to 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

(B) redeem the Notes by giving notice to the Noteholders in accordance with Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 13.

(ii) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the holders in accordance with Condition 13 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.

(e) *Knock-in Event and Knock-out Event*

If Knock-in Event is specified as applicable in the Final Terms, then payment under the relevant Notes subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event.

If Knock-out Event is specified as applicable in the Final Terms, then payment under the relevant Notes subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is the Valuation Time and if any Knock-in Determination Day or Knock-out Determination Day is a Disrupted Day, then such Knock-in Determination Day or Knock-out Determination Day will be deemed not to be a Knock-in Determination Day or Knock-out Determination Day for the purposes of determining the occurrence of a Knock-in Event or a Knock-out Event.

If the Knock-in Valuation Time or the Knock-out Valuation Time specified in the applicable Final Terms is any time or period of time during the regular trading hours on the relevant Exchange and if on any Knock-in Determination Day or Knock-out Determination Day and at any time during the one hour period that begins and/or ends at the time on which the level of the Index triggers the Knock-in Level or the Knock-out Level, a Market Disruption Event occurs or exists, then the Knock-in Event or the Knock-out Event shall be deemed not to have occurred.

For the purposes of this Condition 19:

Knock-in Event means (unless otherwise specified in the applicable Final Terms) (A) in the case of a single Index, that the level of the Index determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is and (B) in the case of a Basket of Indices, that the amount for the Basket determined by the Calculation Agent equal to the sum of the values of each Index as the product in respect of each Index of (i) the level of such Index as of the Knock-in Valuation Time on any Knock-in Determination Day and (ii) the relevant weighting is and for both (A) and (B) as specified in the applicable Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-in Level.

Knock-in Level means (A) in the case of a single Index, the level of the Index specified and (B) in case of a Basket of Indices, the level per Basket specified and for both (A) and (B) as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions of **Market Disruption** set out in Condition 19(a) above.

Knock-in Determination Day means, in the case of a single Index and in the case of a Basket of Indices, as specified in the applicable Final Terms, or each Scheduled Trading Day during the Knock-in Determination Period subject to, in either case, the provisions of **Market Disruption** set out in Condition 19(a) above. For the purposes of a Market Disruption, any Knock-in Determination Day will be treated as a Valuation Date and the provisions contained in the definition of **Valuation Date** set out below shall apply. If any such day is a Disrupted Day, then the provisions relating to "Omission", "Postponement" or "Modified Postponement", as the case may be, contained in the definition of "Averaging Date" shall apply *mutatis mutandis* as if references in such provisions to "Averaging Date" were to "Knock-in Determination Day".

Knock-in Determination Period means, in respect of a single Index or a Basket of Indices the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

Knock-in Period Beginning Date means, in respect of a single Index or a Basket of Indices the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-in Period Ending Date means, in respect of a single Index or a Basket of Indices, the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-in Valuation Time means, in respect of a single Index or a Basket of Indices, the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

Knock-out Event means (unless otherwise specified in the applicable Final Terms) (A) in the case of a single Index, that the level of the Index determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is and (B) in the case of a Basket of Indices, that the amount for the Basket determined by the Calculation Agent equal to the sum of the values of each Index as the product in respect of each Index of (i) the level of such Index as of the Knock-out Valuation Time on any Knock-out Determination Day and (ii) the relevant weighting is, and for both (A) and (B) as specified in the applicable Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-out Level.

Knock-out Level means, in the case of a single Index, the level of the Index specified and in the case of a Basket of Indices, the level per Basket specified as such or otherwise determined in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions of **Market Disruption** set out in Condition 19(a) above.

Knock-out Determination Day means, in respect of a single Index and in relation to a Basket of Indices, as specified in the applicable Final Terms, or each Scheduled Trading Day during the Knock-out Determination Period subject to, in either case, the provisions of "Market Disruption" set out in Condition 19(a) above. For the purposes of a Market Disruption, any Knock-out Determination Day will be treated as a Valuation Date and the provisions contained in the definition of **Valuation Date** set out below shall apply. If any such day is a Disrupted Day, then the provisions relating to "Omission", "Postponement" or "Modified Postponement", as the case may be, contained in the definition of **Averaging Date** shall apply *mutatis mutandis* as if references in such provisions to "Averaging Date" were to "Knock-out Determination Day".

Knock-out Determination Period means, in respect of a single Index or a Basket of Indices, the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

Knock-out Period Beginning Date means, in respect of a single Index or a Basket of Indices, the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Period Ending Date means, in respect of a single Index or a Basket of Indices, the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day.

Knock-out Valuation Time means, in respect of a single Index or a Basket of Indices, the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

(f) *Automatic Early Redemption Event*

If Automatic Early Redemption Event is specified as applicable in the Final Terms, then unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date, an Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Early Redemption Amount payable by the Issuer on such date upon redemption of each Note shall be an amount equal to the relevant Automatic Early Redemption Amount.

For the purposes of these Conditions:

Automatic Early Redemption Amount means (a) an amount in the Specified Currency specified in the applicable Final Terms specified as such in the applicable Final Terms or if such amount is not specified, (b) the product of (i) the denomination of each Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms, subject in each case to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

Automatic Early Redemption Event means (unless otherwise specified in the applicable Final Terms) (A) in the case of a single Index, that the level of the Index determined by the Calculation Agent as of the Valuation Time on any Automatic Early Redemption Valuation Date is, and (B) in the case of a Basket of Indices, the amount for the Basket determined by the Calculation Agent equal to the sum of the values of each Index as the product of (i) the level of such Index as determined by the Calculation Agent as of the Valuation Time on any Automatic Early Redemption Valuation Date and (ii) the relevant weighting is, and for both (A) and (B) as specified in the Final Terms (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Automatic Early Redemption Level.

Automatic Early Redemption Level means the level of the Index specified as such or otherwise determined in the applicable Final Terms, subject to "Adjustments to an Index" set forth in Condition 19(b) above.

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms.

Automatic Early Redemption Valuation Date means each date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to "Omission", "Postponement" or "Modified Postponement", as the case may be, contained in the definition of **Averaging Date** shall apply *mutatis mutandis* as if references in such provisions to "Averaging Date" were to "Automatic Early Redemption Valuation Date".

(g) *Additional Definitions*

For the purposes of this Condition 19:

Additional Disruption Event means any of Change of Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and/or Loss of Stock Borrow, 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.

Average Highest means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

Averaging Date means each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (i) If **Omission** is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of **Valuation Date** will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (ii) if **Postponement** is specified as applying in the applicable Final Terms, then the provisions of the definition of **Valuation Date** will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (iii) if **Modified Postponement** is specified as applying in the applicable Final Terms then:
 - (A) where the Notes are Index Linked Redemption Notes relating to a single Index, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for consecutive Scheduled Trading Days equal in number to the Specified Maximum Days of Disruption (up to the Valuation Time on the last such consecutive Scheduled Trading Day) immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with subparagraph (ii) of the definition of **Valuation Date** below;
 - (B) where the Notes are Index Linked Redemption Notes relating to a Basket of Indices, the Averaging Date for the Index not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the **Scheduled Averaging Date**) and the Averaging Date for an Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Index. If the first succeeding Valid Date in relation to such Index has not occurred for consecutive Scheduled Trading Days equal in number to the Specified Maximum Days of Disruption (up to the Valuation Time on the last such consecutive Scheduled Trading Day) immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Index, and (B) the Calculation Agent shall determine the relevant level, price or amount for

that Averaging Date in accordance with subparagraph (ii) of the definition of **Valuation Date** below; and

- (C) for the purposes of these Conditions **Valid Date** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Change of 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 Issuer determines in its sole and absolute discretion that (x) it has become illegal to hold, acquire or dispose of relevant security/commodity/contract/Component Transaction comprised in an Index or (y) it will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

Component Transaction means each and any combination of any security and/or derivative (including interest rates) contracts composing the Index as determined from time to time by the Relevant Dealers and as defined in the applicable Final Terms.

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

Early Closure means the closure on any Exchange Business Day with respect to such Index of any relevant Exchange(s) relating to securities, commodities, contracts or Component Transactions that comprise 20% or more of the level of such Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

Exchange means in respect of Index Linked Redemption Notes and in relation to an Index each exchange or quotation system or over the counter exchange 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/commodities/contracts comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities/contracts/Component Transactions comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means the relevant Exchange Business Day specified in the applicable Final Terms. If no Exchange Business Day is specified as applying in the applicable Final Terms, Exchange Business Day shall mean 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.

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 and

Relevant Dealers in general (A) to effect transactions in, or obtain market values for on any relevant Exchange(s) in securities/commodities/contracts/Component Transactions that comprise 20% or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures, options or any derivative contracts relating to the relevant Index on any relevant Related Exchange.

Full Quotation means, in accordance with the Quotation Method, any firm quotations obtained from Relevant Dealers at the Valuation Time, to the extent reasonably practicable, for an amount of less than the Quotation Amount; that in aggregate are approximately equal to the Quotation Amount.

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, credit, interest rates, foreign currency exchange, 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 Components means the number of securities/commodities/contracts comprised in an Index that the Issuer deems necessary to hedge the equity, credit, interest rates, foreign currency exchange or other price risk of entering into and performing its obligations with respect to the Notes.

Highest means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

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 risks (including, without limitation, equity and credit price risk, foreign exchange risk, interest rate risk, and any other price risks) 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 security/commodity/contract/Component Transaction comprised in an Index that is greater than the Initial Stock Loan Rate.

Index Currency means the currency specified in the applicable Final Terms.

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 of the Notes is the index sponsor specified for such Index in the applicable Final Terms.

Indices and Index mean, subject to adjustment in accordance with Condition 19(b), the indices or index specified in the applicable Final Terms and related expressions shall be construed accordingly.

Initial Stock Loan Rate means, in respect of a security/commodity/contract/Component Transaction comprised in an Index, the initial stock loan rate specified in relation to such security, commodity, contract or Component Transaction in the applicable Final Terms.

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 securities/commodities/contracts/Component Transactions comprised in an Index in an amount equal to the Hedging Components at a rate equal to or less than the Maximum Stock Loan Rate.

Market Value means, with respect to the Index level being valued on a Valuation Date, (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest and lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (d) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, an amount as determined by the Calculation Agent on any of the next ten Business Days thereafter on which two or more Full Quotations or a Weighted Average Quotation is obtained; and (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained within this additional ten Business Days' period, any one Full Quotation on such tenth Business Day, or if no Full Quotation is obtained, the Market Value shall be the weighted average of any firm quotations obtained from Relevant Dealers on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

Maximum Stock Loan Rate means, in respect of a security/commodity/contract comprised in an Index, the Maximum Stock Loan Rate specified in the applicable Final Terms.

Observation Date means each date specified as an Observation Date in the applicable Final Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to "Omission", "Postponement" or "Modified Postponement", as the case may be, contained in the definition of **Averaging Date** shall apply *mutatis mutandis* as if references in such provisions to "Averaging Date" were to "Observation Date".

Observation Period means the period specified as the Observation Period in the applicable Final Terms.

Quotation means each Full Quotation, the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date as follows: the Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Relevant Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Relevant Dealers, and, if two or more

Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day, the Quotations shall be deemed to be any Full Quotation obtained from a Relevant Dealer on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations obtained from Relevant Dealers on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which the firm quotations were not obtained on such day.

Quotation Amount shall be as specified in the applicable Final Terms or otherwise shall be deemed to be, an amount equal to the amount necessary to unwind the hedge of the Issuer in relation with the Notes.

Quotation Method means the applicable quotation method which may be specified in the Final Terms as being one of the following:

- (i) **Bid** means that only bid quotations shall be requested;
- (ii) **Mid** means that the bid and offer quotations shall be requested and averaged for the purposes of determining a relevant Dealer's quotation; or
- (iii) **Ask** means that only offer quotations shall be requested.

Relevant Dealers means official bank dealers (other than the Issuer or an affiliate of the Issuer) of the Index as appointed by the relevant Index Sponsor, or three financial institutions, selected by the Calculation Agent, that significantly deals or invests in the Index or Component Transactions for which Quotations are to be obtained. The Calculation Agent shall select the Relevant Dealers in good faith and in a commercially reasonable manner. Upon a selected Relevant Dealer no longer being in existence (with no successors), or not being an active dealer in the Index or Component Transactions of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Relevant Dealer(s) for one or more of the foregoing. Any bid quotation provided by the Issuer shall be deemed to be a firm quotation that it would provide to a counterparty in the market.

Relevant Level means the level of the Index as determined by the Calculation Agent at Valuation Time on any Valuation Date, using as specified in the applicable Final Terms, either (a) the official closing level for such Index, or (b) the official fixing eventually calculated and/or published by the Index Sponsor; or, if nothing is specified in the Final Terms, the Valuation Method as set out therein.

Related Exchange means, in respect of Index Linked Redemption Notes and in relation to an Index, each exchange or quotation system or over the counter exchange on which futures, options or derivatives contracts relating to such Index are traded, or each exchange or quotation system or over the counter exchange identified by reference to a Financial Centre, specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or over the counter exchange, or any substitute exchange or quotation system or over the counter exchange to which trading in futures, options or derivatives contracts relating to such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures, options or derivatives 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 or over the counter

exchange where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures, options or derivatives 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 customarily accepted 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 the relevant Scheduled Trading Day specified in the applicable Final Terms. If no Scheduled Trading Day is specified as applying in the applicable Final Terms, Scheduled Trading Day shall mean any day on which each Exchange and each Related Exchange in respect of each such Index are scheduled to be open for trading for their respective regular trading sessions, and for which and with respect to each relevant over the counter exchange, Relevant Dealers are scheduled to be opened for business, to bid for the relevant Index and Component Transactions.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Screen Page means the page specified in the applicable Final Terms, or any successor page or service thereto.

Settlement Price means, unless otherwise specified in the applicable Final Terms, in relation to Index Linked Redemption Notes and as referred to in **Valuation Date** below or **Averaging Date** above, as the case may be:

- (i) in the case of Index Linked Redemption Notes relating to a Basket of Indices, an amount (which shall be deemed to be a monetary amount in the Index Currency) equal to the sum of the values calculated for each Index as the Relevant Level for each Index as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of each Index determined by the Calculation Agent as set out in the applicable Final Terms at the Relevant Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, multiplied by the relevant multiplier; and
- (ii) in the case of Index Linked Redemption Notes relating to a single Index, an amount (which shall be deemed to be a monetary amount in the Index Currency) equal to the Relevant Level of the Index as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent as set out in the applicable Final Terms at the Relevant Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date.

Specified Maximum Days of Disruption means eight (8) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the applicable Final Terms.

Trading Disruption means (1) 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 securities, commodities, contracts or Component Transactions that comprise 20% or more of the level of such Index on any relevant Exchange(s) or (b) in futures, options or derivatives contracts relating to such Index on any relevant Related Exchange; and, (2) in case of Component Transactions scheduled to be quoted on a relevant

over the counter exchange, any time or day on a Scheduled Trading Day during which the Calculation Agent is unable to obtain a Quotation, as provided by the Valuation Method.

Valuation Date means the Valuation Date specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (i) where the Notes are Index Linked Redemption Notes relating to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the consecutive Scheduled Trading Days equal in number to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (A) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine the Settlement Price in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Settlement Price by determining the level of the Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the last such consecutive Scheduled Trading Day of each security/commodity/derivatives contracts comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity/derivatives contracts on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity/derivatives contracts as of the Valuation Time on the last such consecutive Scheduled Trading Day); or
- (ii) where the Notes are Index Linked Redemption Notes relating to a Basket of Indices, the Valuation Date for each Index, not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index, affected, as the case may be, (each an **Affected Item**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Item unless each of the consecutive Scheduled Trading Days equal in number to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (A) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine the Settlement Price using, in relation to the Affected Item, the level or value as applicable, determined in the manner set out in the applicable Final Terms, or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that 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 last such consecutive Scheduled Trading Day of each security/commodity/derivatives contracts comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity/derivatives contracts on the last such consecutive Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity/derivatives contracts as of the Valuation Time on the last such consecutive Scheduled Trading Day),

and otherwise in accordance with the above provisions.

Valuation Method shall be as specified in the applicable Final Terms as (a) Highest, (b) Average Highest, or (c) Market Value.

Valuation Time means:

- (i) the Relevant Time specified in the applicable Final Terms; and
- (ii) if **Calculation Agent** is specified in the applicable Final Terms, any time (as selected by the Calculation Agent in its sole and absolute discretion) on the Valuation Date or the Averaging Date, as the case may be, during the hours that Relevant Dealers customarily bid for the relevant Index or any of its Component Transactions; and
- (iii) the Scheduled Closing Time on the Exchange on the Valuation Date or the Averaging Date, as the case may be. If the 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.

Weighted Average Quotation means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Relevant Dealers at the Valuation Time, to the extent reasonably practicable, for an amount of less than the Quotation Amount, that in aggregate are approximately equal to the Quotation Amount.

20. **Additional Provisions Applicable to Equity Linked Redemption Notes**

This Condition 20 applies to Equity Linked Redemption Notes only. The Technical Annex set out on pages 196 to 202 of this Prospectus contains provisions relating to the formula used to determine the pay-off under Equity Linked Redemption Notes and the applicable Final Terms contains provisions applicable to the determination of the performance of the relevant Share(s) as well as other relevant provisions and must be read in conjunction with this Condition 20 and with the Technical Annex for full information on any Equity Linked Redemption Notes. In particular, the applicable Final Terms will identify the relevant Share(s).

(a) *Market Disruption*

Market Disruption Event means, in relation to Notes relating to a single Share, the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, which in either case the Calculation Agent in its sole and absolute discretion, determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (c) an Early Closure.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 13 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date, an Observation Date or a Valuation Date.

(b) *Potential Adjustment Events, Merger Event, Tender Offer, De-listing, Nationalisation and Insolvency*

(i) **Potential Adjustment Event** means any of the following:

- (A) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such

Shares to existing Noteholders by way of bonus, capitalisation or similar issue;

- (B) a distribution, issue or dividend to existing Noteholders of the relevant Shares of (I) such Shares or (II) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to Noteholders of such Shares or (III) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company as a result of a spin-off or other similar transaction or (IV) any other type of securities, rights or certificates or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
 - (C) an extraordinary dividend as determined by the Calculation Agent;
 - (D) a call by a Share Company in respect of relevant Shares that are not fully paid;
 - (E) a repurchase by the Share Company or its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (F) in respect of a Share Company an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Share Company 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, certificates, 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 having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.
- (ii) Following the declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (A) make the corresponding adjustment, if any, to any one or more of any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery Notes) and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative 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 Share) and (B) determine the effective date of that adjustment. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with

Condition 13 stating the adjustment to any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery Notes) 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.

- (iii) **De-Listing** means, in respect of any relevant Shares, the Exchange announces that pursuant to the rules of such Exchange, such Shares 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 a member state of the European Union).

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

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

Merger Event means, in respect of any relevant Shares, any (a) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (b) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Share Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (d) consolidation, amalgamation, merger or binding share exchange of the Share Company or its subsidiaries with or into another entity in which the Share Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before (a) in the case of Cash Settled Notes, the last occurring Valuation Date or where Averaging is specified in the applicable Final Terms, the final Averaging Date in respect of the relevant Note or (b) in the case of Physical Delivery Notes, the relevant Maturity Date.

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

Tender Offer means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 50% and less than 100% (the **Percentage Range**) of the

outstanding voting shares of the Share Company as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

Tender Offer Date means, in respect of a Tender Offer, the date on which the voting shares in the amount of the Percentage Range are actually purchased or otherwise obtained, as determined by the Calculation Agent.

If a Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency (each, an **Extraordinary Event**) occurs in relation to a Share, the Issuer in its sole and absolute discretion may take the action described in (A), (B), (C) or (D) below:

- (A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery Notes) and/or the multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency made by any options exchange to options on the Shares traded on that options exchange; or
- (B) unless Delayed Redemption on Occurrence of Extraordinary Events is specified as being applicable in the applicable Final Terms, on giving notice to Noteholders in accordance with Condition 13, redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the fair market value of a Note taking into account the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (unless provided for in the applicable Final Terms), all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 13; or
- (C) if Delayed Redemption on Occurrence of Extraordinary Event is specified as being applicable in the Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Merger Event, Tender Offer, De-Listing, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Amount**) as soon as practicable, following the occurrence of the Extraordinary Event (the **Calculated Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to the Calculated Amount plus interest accrued from and including the Calculated Amount Determination Date to but excluding the Maturity Date at a rate specified in the applicable Final Terms, or if no such specification, at a rate equal to Issuer's funding cost at such time.

(D) following such adjustment to the settlement terms of options on the Shares traded on such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the **Options Exchange**), require the Calculation Agent to make a corresponding adjustment to any one or more of any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery Notes) and/or the multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery Notes) and/or the multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded.

(iv) Upon the occurrence of a Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, the Issuer shall give notice as soon as practicable to the holders in accordance with Condition 13 stating the occurrence of the Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(c) *Correction of Share Price*

With the exception of any corrections published after the day which is three Exchange Business Days prior to the due date for any payment of any Redemption Amount, if the price of the relevant Share published on a given day and used or to be used by the Calculation Agent to determine any Redemption Amount is subsequently corrected and the correction published by the relevant Exchange or Related Exchange, as the case may be, within 30 days of the original publication, the price to be used shall be the price of the relevant Share as so corrected. Corrections published after the day which is three Exchange Business Days prior to the relevant redemption date will be disregarded by the Calculation Agent for the purposes of determining any Redemption Amount.

(d) *Issuer's Option to substitute Assets or to pay the Alternate Cash Redemption Amount*

If prior to the redemption of Physical Delivery Notes, the Calculation Agent determines, in its sole and absolute discretion, that the Relevant Asset(s) comprise(s) Shares which are not freely tradable, the Issuer may, in its sole and absolute discretion, elect either (i) to substitute for such Shares freely tradable shares with a value equivalent to the Shares (as determined by the Calculation Agent in its sole and absolute discretion) (the **Substitute Asset(s)**) or (ii) not to deliver or procure the delivery of the Asset Amount or the Substitute Asset(s), as the case may be, but in lieu thereof to pay to the Noteholders on the Maturity Date an amount equal to the fair market value of the Asset Amount on the Valuation Date as determined by the Calculation Agent in its sole and absolute discretion by reference to such sources as it considers appropriate (the **Alternate Cash Redemption Amount**). Notification of any such election will be given to Noteholders in accordance with Condition 13.

For the purposes hereof, a **freely tradable** share shall mean (i) with respect to the United States, a share which is registered under the Securities Act or not restricted under the Securities Act and which is not purchased from the issuer of such share and not purchased from an affiliate of the issuer of such share or which otherwise meets the requirements of a freely tradable share for the purposes of the Securities Act, in each case, as determined by the Calculation Agent, in its sole and absolute discretion or (ii) with respect to any other jurisdiction, a share not subject to any legal restrictions on transfer in such jurisdiction.

(e) *Additional Disruption Events*

(i) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (A) or (B) below:

(A) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery Notes) 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

(B) unless Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the applicable Final Terms, redeem the Notes by giving notice to the Noteholders in accordance with Condition 13. If the Notes are so redeemed the Issuer will pay an amount to each Noteholder in respect of each Note held by him which amount shall be the fair market value of a Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 13.

(C) if Delayed Redemption on Occurrence of Additional Disruption Event is specified as being applicable in the Final Terms, the Calculation Agent shall calculate the fair market value of each Note taking into account the Additional Disruption Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (the **Calculated Additional Disruption Amount**) as soon as practicable, following the occurrence of the Additional Disruption Event (the **Calculated Additional Disruption Amount Determination Date**) and on the Maturity Date shall redeem each Note at an amount calculated by the Calculation Agent equal to the Calculated Additional Disruption Amount plus interest accrued from and including the Calculated Additional Disruption Amount Determination Date to but excluding the Maturity Date at a rate specified in the applicable Final Terms, or if no such specification, at a rate equal to Issuer's funding cost at such time.

(ii) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the holders in accordance with Condition 13 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.

(f) *Additional Definitions*

Unless otherwise specified in the applicable Final Terms:

Additional Disruption Event means any of Change of Law, Failure to Deliver, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and/or Loss of Stock Borrow, 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.

Averaging Date means each date specified as an Averaging Date in the applicable Final Terms or, if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (i) If **Omission** is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of **Valuation Date** will apply for purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (ii) if **Postponement** is specified as applying in the applicable Final Terms, then the provisions of the definition of **Valuation Date** will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (iii) if **Modified Postponement** is specified as applying in the applicable Final Terms then the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for consecutive Scheduled Trading Days equal in number to the Specified Maximum Days of Disruption (up to Valuation Time on such last consecutive Scheduled Trading Day) immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether the last such consecutive Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with subparagraph (B) of the definition of **Valuation Date** below. For the purposes of these Conditions, **Valid Date** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Change of 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 Issuer determines in its sole and absolute discretion that (x) it has become illegal to hold, acquire or dispose of any relevant Share or (y) it will incur a materially increased cost in performing its obligations under the Notes (including, without limitation,

due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

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

Early Closure means the closure on any Exchange Business Day of relevant Exchange(s) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (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.

Exchange means, in relation to a Share, each exchange or quotation system specified as such for such Share 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 Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means the relevant Exchange Business Day specified in the applicable Final Terms. If no Exchange Business Day is specified as applying in the applicable Final Terms, Exchange Business Day shall mean 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.

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 (a) to effect transactions in, or obtain market values for, the Shares on the relevant Exchange or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange.

Failure to Deliver means failure of the Issuer and/or any of its Affiliates to deliver, when due, the relevant Shares under the Notes, where such failure to deliver is due to illiquidity in the market for such Shares.

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 Shares that the Issuer 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 market risk (including, without limitation, equity price risk, foreign

exchange risk and interest rate 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 Share that is greater than the Initial Stock Loan Rate.

Initial Stock Loan Rate means, in respect of a Share, the initial stock loan rate specified in relation to such Share in the applicable Final Terms.

Insolvency Filing means that a Share Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company 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 Share 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 a Share, the Maximum Stock Loan Rate specified in the applicable Final Terms.

Observation Date means each date specified as an Observation Date in the applicable Final Terms, or if any such date is not a Scheduled Trading Day, the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the provisions relating to "Omission", "Postponement" or "Modified Postponement", as the case may be, contained in the definition of **Averaging Date** shall apply *mutatis mutandis* as if references in such provisions to "Averaging Date" were to "Observation Date".

Observation Period means the period specified as the Observation Period in the applicable Final Terms.

Related Exchange means in respect of Equity Linked Redemption Notes and in relation to a Share, each exchange or quotation system on which option contracts or futures contracts relating to such Share are traded, or each exchange or quotation system specified as such for such Share 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 Share 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 Share 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 Share.

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 the relevant Scheduled Trading Day specified in the applicable Final Terms. If no Scheduled Trading Day is specified as applying in the applicable Final Terms, Scheduled Trading Day shall mean any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Settlement Currency means the currency specified in the applicable Final Terms.

Settlement Price means, unless otherwise specified in the applicable Final Terms, in relation to each Cash Settled Note in respect of Equity Linked Redemption Notes, and as referred to in **Valuation Date** below or **Averaging Date** above, an amount equal to the official closing price (or the price at the Relevant Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share on (a) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (b) if Averaging is specified in the applicable Final Terms, an Averaging Date and (or if, in the opinion of the Calculation Agent, any such official closing price (or the price at the Relevant Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Relevant Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Relevant Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent in its sole and absolute discretion) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide, such amount to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate and such converted amount to be the Settlement Price, all as determined by or on behalf of the Calculation Agent. **Shares** and **Share** mean the shares specified in the applicable Final Terms and related expressions shall be construed accordingly.

Share Company means the company that has issued the Share.

Specified Maximum Days of Disruption means eight (8) Scheduled Trading Days or such other number of Scheduled Trading Days specified in the applicable Final Terms.

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

Valuation Date means the Valuation Date specified in the applicable Final Terms or, if such day is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day, then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the consecutive Scheduled Trading Days equal in number to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (A) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (B) the Calculation Agent shall determine the Settlement Price in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Settlement Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; and otherwise in accordance with the above provisions.

Valuation Time means the Relevant Time specified in the applicable Final Terms or, if no Relevant Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Share to be valued provided that 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.

21. Additional Provisions Applicable to Inflation Linked Interest Notes

This Condition 21 applies to Inflation Linked Interest Notes only. The Technical Annex set out on pages 196 to 202 of this Base Prospectus contains provisions relating to the formula used to determine the pay-off under Inflation Linked Interest Notes and the applicable Final Terms contains provisions applicable to the determination of the performance of the relevant inflation index as well as other relevant provisions and must be read in conjunction with this Condition 21 and with the Technical Annex for full information on any Inflation Linked Interest Notes. In particular, the applicable Final Terms will identify the relevant Screen Page, the various levels and other factors required to apply the formula.

(a) *Delay in Publication*

If the Calculation Agent determines that, in relation to Notes relating to an Index, a Delayed Index Level Event in respect of an Index has occurred with respect to any Interest Determination Date, then the Relevant Level with respect to any Reference Month which is to be used in any calculation or determination to be made by the Calculation Agent with respect to such Interest Determination Date (the **Substitute Index Level**) shall be determined by the Calculation Agent (subject to Condition 21(c)(i) “*Adjustments - Substitute Index Level*” below), as follows:

- (i) if Related Bond is specified as applicable in the applicable Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or
- (ii) if A) Related Bond is specified as not applicable in the applicable Final Terms, or (B) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

$$\text{SubstituteIndex Level} = \text{Base Level} \times (\text{Latest Level}/\text{Reference Level})$$

(iii) otherwise in accordance with any formula specified in the applicable Final Terms,
where:

Base Level means the level of the Index (whether definitive or provisional) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

Latest Level means the latest level of the Index (whether definitive or provisional) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated.

Reference Level means the level of the Index (whether definitive or provisional) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in **Latest Level** above.

The Issuer shall promptly give notice to the holders of the Notes in accordance with Condition 13 of any Substitute Index Level.

If the Relevant Level is published or announced at any time on or after the relevant Cut-Off Date specified in the applicable Final Terms, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 21(a) will be the definitive level for that Reference Month.

(b) *Successor Index*

If in relation to Notes relating to the Index, the Calculation Agent determines that the level of the Index is not calculated and announced by the Index Sponsor for two consecutive months and/or the Index Sponsor announces that it will no longer continue to publish or announce the Index and/or the Index Sponsor cancels the Index then the Calculation Agent shall determine a successor index (**a Successor Index**) (in lieu of any previously applicable Index) for the purposes of the Notes as follows:

- (i) if Related Bond is specified as applicable in the applicable Final Terms, the Calculation Agent shall determine a Successor Index by reference to the corresponding successor index determined under the terms and conditions of the Related Bond;
- (ii) if Related Bond is specified as not applicable in the Final Terms or a Related Bond Redemption Event has occurred, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the 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 Index. If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the Successor Index;
- (iii) If no Successor Index has been deemed under (i) above or if fewer than three responses are received under (ii) above by the Cut-Off Date the Calculation Agent will determine an appropriate alternative index for the relevant Payment Date, and such index will be deemed a Successor Index; or

- (iv) if the Calculation Agent determines that there is no appropriate alternative index, there will be deemed to be no Successor Index and an Index Cancellation will be deemed to have occurred.

For the avoidance of doubt, the Calculation Agent shall determine the date on which the Successor Index shall be deemed to replace the Index for the purposes of the Notes. Notice of the determination of a Successor Index, the effective date of the Successor Index or the occurrence of an Index Cancellation will be given to holders of the Notes by the Issuer in accordance with Condition 13.

(c) *Adjustments*

(i) *Substitute Index Level*

If the Calculation Agent determines a Substitute Index Level in accordance with Condition 21(a) “*Delay in Publication*” above, the Calculation Agent may make any adjustment or adjustments (without limitation) to (A) the Substitute Index Level determined in accordance with Condition 21(a) “*Delay in Publication*” above and/or (B) interest payable under the Notes (if any) and/or any other relevant term of the Notes, in each case, as the Calculation Agent deems necessary. The Issuer shall give notice to the holders of the Notes of any such adjustment in accordance with Condition 13.

(ii) *Successor Index*

If a Successor Index is determined in accordance with Condition 21(b) “*Successor Index*” above, the Calculation Agent may make any adjustment or adjustments (without limitation) to the interest payable under the Notes (if any) and/or any other relevant term of the Notes as the Calculation Agent deems necessary. The Issuer shall give notice to the holders of the Notes of any such adjustment or amount in accordance with Condition 13.

(iii) *Index Level Adjustment Correction*

(A) If, within 30 days of publication or at any time prior to an Interest Determination Date in respect of which a Relevant Level will be used in any calculation or determination in respect of such Interest Determination Date, the Calculation Agent determines that the Index Sponsor has corrected the Relevant Level to correct a manifest error, the Calculation Agent may make any adjustment to interest payable under the Notes (if any) and/or any other relevant term of the Notes as the Calculation Agent deems appropriate as a result of such correction and/or determine the amount (if any) that is payable as a result of that correction. The Issuer shall give notice to the holders of the Notes of any such adjustment and/or amount in accordance with Condition 13.

(B) If a Relevant Level is published or announced at any time after the Cut-Off Date in respect of an Interest Determination Date in respect of which a Substitute Index Level was determined, the Calculation Agent may either (I) determine that such Relevant Level shall not be used in any calculation or determination under the Notes and that the Substitute Index Level shall be deemed to be the definitive Relevant Level for the relevant Reference Month, or (II) make any adjustment to the interest payable under the Notes (if any) and/or any other relevant term of the Notes as it deems appropriate

as a result of the announcement or publication of the Relevant Level and/or determine the amount (if any) that is payable as a result of such publication or announcement. The Issuer shall give notice to the holders of the Notes of any determination in respect of (I) or (II), together with any adjustment or amount in respect thereof, in accordance with Condition 13.

(C) *Currency*

If the Calculation Agent determines that any event occurs affecting the Specified Currency (whether relating to its convertibility into other currencies or otherwise) which the Calculation Agent determines necessitates an adjustment or adjustments (without limitation) to interest payable under the Notes, (if any) and/or any other relevant term of the Notes (including the date on which any amount is payable by the Issuer), the Calculation Agent may make such adjustment or adjustments to interest payable under the Notes (if any) and/or any other relevant term of the Notes as the Calculation Agent deems necessary. The Calculation Agent shall give notice to the holders of the Notes of any such adjustment in accordance with Condition 13.

(iv) *Rebasing*

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the **Rebased Index**) will be used for purposes of determining the Relevant Level from the date of such rebasing; provided, however, that the Calculation Agent may make (A) if Related Bond is specified as applicable in the applicable Final Terms, any adjustments as are made pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as before the rebasing, and/or (B) if Related Bond is specified as not applicable in the applicable Final Terms or a Related Bond Redemption Event has occurred, the Calculation Agent may make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased, and in each case the Calculation Agent may make any adjustment(s) to interest payable under the Notes (if any) and/or any other term of the Notes as the Calculation Agent may deem necessary. If the Calculation Agent determines that neither (A) nor (B) above would produce a commercially reasonable result, the Calculation Agent may redeem each Note on a date notified by the Issuer to Noteholders in accordance with Condition 13 at its fair economic value as determined by the Calculation Agent as at the date of redemption taking into account the rebasing, less the cost to the Issuer of unwinding or amending any related underlying hedging arrangements. Notice of any adjustment, redemption of the Notes or determination pursuant to this paragraph shall be given to Noteholders in accordance with Condition 13.

(v) *Index Modification*

(A) If, in relation to Notes relating to the Index on or prior to the Cut-Off Date in respect of any Interest Determination Date, the Calculation Agent determines that an Index Modification has occurred the Calculation Agent may (I) if Related Bond is specified as applicable in the applicable Final Terms, make any adjustments to the Index, any Relevant Level and/or any other relevant term of the Notes (including, without limitation, interest payable under the Notes (if any)), consistent with any adjustments made to the Related Bond as the Calculation Agent deems necessary, or (II) if

Related Bond is specified as not applicable in the Final Terms or a Related Bond Redemption Event has occurred, make only those adjustments to the relevant Index, any Relevant Level and/or any other term of the Notes (including, without limitation, the interest payable under the Notes (if any)), as the Calculation Agent deems necessary for the modified Index to continue as the Index and to account for the economic effect of the Index Modification.

- (B) If the Calculation Agent determines that an Index Modification has occurred at any time after the Cut-Off Date in respect of any Interest Determination Date, the Calculation Agent may determine either to ignore such Index Modification for the purposes of any calculation or determination made by the Calculation Agent with respect to such Interest Determination Date, in which case the relevant Index Modification will be deemed to have occurred with respect to the immediately succeeding Interest Determination Date such that the provisions of subparagraph (A) above will apply, or, notwithstanding that the Index Modification has occurred following the Cut-Off Date, to make any adjustments as the Calculation Agent deems fit in accordance with subparagraph (A) above.

(vi) *Index Cancellation*

If the Calculation Agent determines that an Index Cancellation has occurred, the Issuer may redeem each Note on the date notified by the Issuer to Noteholders in accordance with Condition 13 at its fair economic value (as determined by the Calculation Agent) as at the date of redemption taking into account the Index Cancellation, less the cost to the Issuer of unwinding or amending any related underlying hedging arrangements. Notice of any redemption of the Notes pursuant to this paragraph shall be given to Noteholders in accordance with Condition 13.

(vii) *Change in law*

If the Calculation Agent determines that a Change in Law has occurred, the Issuer may redeem each Note on the date notified by the Issuer to Noteholders in accordance with Condition 13 at its fair economic value (as determined by the Calculation Agent) as at the date of redemption taking into account the Change in Law, less the cost to the Issuer of unwinding or amending any related underlying hedging arrangements. Notice of any redemption of the Notes pursuant to this paragraph shall be given to Noteholders in accordance with Condition 13.

(viii) *Additional Definitions*

Change in Law means that, on or after the Issue 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 any change in the interpretation by any court, tribunal or regulatory authority), the Issuer determines that in its sole and absolute discretion that it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes.

Cut-Off Date means, in respect of an Interest Determination Date, five Business Days prior to such Interest Determination Date, unless otherwise stated in the applicable Final Terms.

Delayed Index Level Event means, in respect of any Interest Determination Date, that the Index Sponsor fails to publish or announce the level of the Index (the **Relevant Level**) in respect of any Reference Month which is to be used in any calculation or determination to be made by the Calculation Agent in respect of such Interest Determination Date, at any time on or prior to the Cut-Off Date.

Fallback Bond means a bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Germany, Italy 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. The Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date 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).

Index means the HCIP, as defined in Part 3 of Technical Annex and related expressions shall be construed accordingly.

Index Cancellation means a level for the Index has not been published or announced for two consecutive months and/or the Index Sponsor cancels the Index and/or the Index Sponsor announces that it will no longer continue to publish or announce the Index and no Successor Index exists.

Index Modification means the Index Sponsor announces that it will make (in the opinion of the Calculation Agent) a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index.

Index Sponsor means in relation to an Index, the corporation or 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 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 of the Notes is the index sponsor in the applicable Final Terms.

Rebased Index has the meaning given to it under Condition 21(c)(iv) "*Rebasing*" above.

Reference Month means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level was reported.

Related Bond means, if specified as applicable in the applicable Final Terms, means the bond specified as such in the applicable Final Terms. If the 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 no bond is specified in the applicable Final Terms as the Related Bond 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 relevant 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.

Related Bond Redemption Event means, if specified as applicable in the applicable Final Terms, at any time prior to the Maturity Date, (i) the Related Bond is redeemed, repurchased or cancelled, (ii) the Related Bond becomes repayable prior to its stated date of maturity for whatever reason, or (iii) the issuer of the Related Bond announces that the Related Bond will be redeemed, repurchased or cancelled prior to its stated date of maturity.

Relevant Level has the meaning given to it in the definition of Delayed Index Level Event.

Scheduled Trading Day means the relevant Scheduled Trading Day specified in the applicable Final Terms. If no Scheduled Trading Day is specified as applying in the applicable Final Terms, Scheduled Trading Day shall mean any day on which the Index Sponsor is scheduled to be open for trading.

Successor Index has the meaning given to it in under Condition 21(b) "*Successor Index*" above.

Substitute Index Level means, in respect of a Delayed Index Level Event, the index level determined by the Calculation Agent in accordance with Condition 21(c)(i) "*Substitute Index Level*" above.

TECHNICAL ANNEX

1. Pay Off Formulae for Index Linked Redemption Notes

This Part 1 of the Technical Annex applies to Index Linked Redemption Notes. For the purposes of this Part 1 of the Technical Annex, Underlying shall mean an Index or Indices. The Early Redemption Amount or Final Redemption Amount for Index Linked Redemption Notes shall be determined by the Calculation Agent in accordance with the below.

(a) *Autocall*

(i) When Autocall is specified as applicable as a formula in the applicable Final Terms:

(A) if, on any Observation Date_(t), the closing price of the Underlying is greater than or equal to the Autocall Trigger Level, the Notes will be automatically redeemed on the Early Redemption Date_(t) at their nominal amount multiplied by the Percentage Multiplier which is specified as being applicable to the Observation Date_(t) (where t = 1, 2, 3 etc.) in the applicable Final Terms; or

(B) if the Notes have not been redeemed early as provided in paragraph (A) above and,

I. on the final Observation Date, the closing price of the Underlying is greater than or equal to the Lower Threshold Level, the Notes will be redeemed on the Maturity Date at their nominal amount multiplied by the Lower Threshold Multiplier; or

II. on the final Observation Date, the closing price of the Underlying is greater than or equal to the Threshold Level, the Notes will be redeemed on the Maturity Date at their nominal amount multiplied by the Threshold Multiplier; or

III. otherwise, the Notes will be redeemed on the Maturity Date at the Final Redemption Amount determined in accordance with the following formula:

$$\text{Specified Denomination} \times (\text{Final Percentage Multiplier}) \times (\text{Final Price} / \text{Initial Price})$$

Where:

Autocall Trigger Level means the percentage of the Initial Price specified as such in the applicable Final Terms.

Early Redemption Date means each date specified as such in the applicable Final Terms.

Final Price means the closing price of the Underlying on the Maturity Date.

Final Percentage Multiplier means the multiplier specified as such in the applicable Final Terms.

Initial Price means the closing price of the Underlying on the Issue Date.

Lower Threshold Level means the percentage of the Initial Price specified as such in the applicable Final Terms.

Lower Threshold Multiplier means the multiplier specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

Percentage Multiplier means, for each Observation Date, the multiplier specified as such in the applicable Final Terms.

Threshold Level means the percentage of the Initial Price specified as such in the applicable Final Terms.

Threshold Multiplier means the multiplier specified as such in the applicable Final Terms.

- (ii) When Guaranteed Coupon is specified in the applicable Final Terms, interest will be payable on every Interest Payment Date up to and including the Maturity Date or the Early Redemption Date.
- (iii) When Conditional Coupon without Memory Effect is specified in the applicable Final Terms, interest will only be payable on an Interest Payment Date if on the preceding Observation Date the closing price of the Underlying is greater than or equal to the Coupon Trigger Level.

Where Coupon Trigger Level means the percentage of the Initial Price specified as such in the applicable Final Terms.

- (iv) When Conditional Coupon with Memory Effect is specified in the applicable Final Terms, interest will only be payable on an Interest Payment Date if on the preceding Observation Date the closing price of the Underlying is greater than or equal to the Coupon Trigger Level. However, when interest is not paid on any Interest Payment Date because the closing price of the Underlying is lower than the Coupon Trigger Level on the preceding Observation Date, such interest may become payable on a later Interest Payment Date if on the preceding Observation Date, the closing price of the Underlying is greater than or equal to the Coupon Trigger Level.
- (b) When Autocall with Spread is specified as applicable as a formula in the applicable Final Terms:
- (i) if, on any Observation Date_(t), the closing price of the Underlying is greater than or equal to the Autocall Trigger Level (as defined in 1(a) above), the Notes will be automatically redeemed on the Early Redemption Date_(t) (as defined in 1(a) above) (where t = 1, 2, 3 etc.) at the Early Redemption Amount in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{Specified Denomination} \times [100\% + (\text{Multiplier} + (\text{Multiplier} \times t))]$$

; or

- (ii) if the Notes have not been redeemed early as provided in (i) above and,
- (A) on the final Observation Date_(t), the Spread_(t) is equal to or greater than the Autocall Trigger Level, the notes will be redeemed on the Maturity Date at the Final Redemption Amount in accordance with the following formula:

Final Redemption Amount = Specified Denomination × [100% + (Multiplier + (Multiplier × t))];
or

- (B) otherwise the Notes will be redeemed on the Maturity Date at their nominal amount multiplied by the Final Percentage Multiplier.

Where:

A Index₀ means the closing price of the Underlying on the Issue Date.

A Index_(t) means the closing price of the Underlying on the Observation Date_(t).

B Index₀ means the closing price of the Underlying on the Issue Date.

B Index_(t) means the closing price of the Underlying on the Observation Date_(t).

Final Percentage Multiplier means the multiplier specified as such in the applicable Final Terms.

Multiplier means the percentage specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

Spread_(t) is calculated using the following formula:

$$\text{Spread}_{(t)} = \frac{A \text{ Index}_t}{A \text{ Index}_0} - \frac{B \text{ Index}_t}{B \text{ Index}_0}$$

- (c) *Lookback*

When Lookback is specified as applicable as a formula in the applicable Final Terms, unless previously redeemed or purchased and cancelled, the Final Redemption Amount payable by the Issuer on the Maturity Date will be an amount determined in accordance with the following formula:

Specified Denomination × [100% + Multiplier × Max{Floor Level; (Index_{x Emean} - Index_{Einitial}) Index_{Einitial}}]

Where:

Floor Level means the percentage value which defines the lower threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

Index_{x Emean} means the arithmetic mean of the x highest closing levels of the Index out of all of the Observation Dates;

Index_{Einitial} means the closing level of the Index on the Issue Date.

Multiplier means the percentage specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

x has the value ascribed to it in the applicable Final Terms.

(d) *Short-term Lookback*

When Short-term Lookback is specified as applicable as a formula in the applicable Final Terms, unless previously redeemed or purchased and cancelled, the Final Redemption Amount payable by the Issuer on the Maturity Date will be the amount determined in accordance with the following formula:

$$\text{Specified Denomination} \times \text{Multiplier} + \text{Min}(\text{Cap Level} \times \text{Max}(\text{Floor Level}; \text{Index Performance}); \text{Short-term Lookback Multiplier})$$

Where:

Cap Level means the percentage value which defines the upper threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

Floor Level means the percentage value which defines the lower threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

Index_{Average} means the arithmetic mean of the monthly closing levels of the Index for the last x months, as determined by the Calculation Agent on each Observation Date.

Index_{Initial} means the closing level of the Index on the Issue Date.

Index Performance means $\left(\frac{\text{Index}_{\text{Average}}}{\text{Index}_{\text{Initial}}} - 1 \right)$

Multiplier means the percentage specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

Short-term Lookback Multiplier means the percentage specified as such in the applicable Final Terms.

x has the value ascribed to it in the applicable Final Terms.

(e) *Double Win*

When Double Win is specified as applicable as a formula in the applicable Final Terms unless previously redeemed or purchased and cancelled, the Final Redemption Amount payable by the Issuer on the Maturity Date will be the amount determined as follows:

(i) If during the Observation Period the Index has never gone below the Barrier Level and on the Final Valuation Date the $\text{Index}_{\text{Final}}$ is greater than or equal to $\text{Index}_{\text{Initial}}$, then the Final Redemption Amount per Specified Denomination will be:

$$\text{Specified Denomination} \times \left[1 + \text{Max} \left[\text{Floor Level}; \text{Min} \left(\text{Cap Level} \left(\frac{\text{Index}_{\text{Final}}}{\text{Index}_{\text{Initial}}} - 1 \right) \right) \right] \right]$$

- (ii) If during the Observation Period the Index has never gone below the Barrier Level and on the Final Valuation Date the $Index_{Final}$ is less than $Index_{Initial}$, then the Final Redemption Amount per Specified Denomination will be:

$$\text{Specified Denomination} \times \left[1 + \left(1 - \frac{Index_{Final}}{Index_{Initial}} \right) \right]$$

- (iii) If during the Observation Period the Index has gone below the Barrier Level and on the Final Valuation Date the $Index_{Final}$ is less than $Index_{Initial}$, then the Final Redemption Amount per Specified Denomination will be:

$$\text{Specified Denomination} \times 100\%$$

- (iv) If during the Observation Period the Index has gone below the Barrier Level and on the Final Valuation Date the $Index_{Final}$ is greater than $Index_{Initial}$, then the Final Redemption Amount per Specified Denomination will be:

$$\text{Specified Denomination} \times \left[1 + \text{Max} \left[\text{Floor Level}; \text{Min} \left(\text{Cap Level} \left(\frac{Index_{Final}}{Index_{Initial}} - 1 \right) \right) \right] \right]$$

Barrier Level means the Barrier Level Multiplier multiplied by the $Index_{Initial}$.

Barrier Level Multiplier means the percentage specified as such in the applicable Final Terms.

Cap Level means the percentage value which defines the upper threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms..

Final Valuation Date means the date specified as such in the applicable Final Terms.

Floor Level means the percentage value which defines the lower threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms..

$Index_{Initial}$ means the closing level of the Index on the Issue Date.

$Index_{Final}$ means the closing level of the Index on the Final Valuation Date.

Observation Period means the period specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

- (f) *Triple Index*

- (i) Where Triple Index is specified as applicable as a formula in the applicable Final Terms.

- (A) If on any Observation Date_(t) the Relevant Price_i^t is greater than or equal to Relevant Price_i⁰, (for i = 1 to 3), then the Notes will be redeemed on the Early Redemption Date_(t) at the amount determined as follows:

$$\text{Specified Denomination} \times [100\% + (\text{Multiplier} \times t)]$$

where t = (1, 2, 3 etc.)

- (B) If the Notes have not been redeemed early as provided in paragraph (A) above and:

- I. on the final Observation Date_(t), the Relevant Price_i^t \geq Relevant Price_i⁰, (for i = 1 to 3), then the Notes will be redeemed as follows:

$$\text{Specified Denomination} \times [100\% + (\text{Multiplier} \times t)]$$

- II. otherwise, the Notes will be redeemed at 100%

Where:

Early Redemption Date_(t) means each date specified as such in the applicable Final Terms.

Multiplier means the percentage specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

Relevant Price_(t) means a value based on the closing level of Index_(i) on the Observation Date_(t).

Relevant Price_i^t means the closing level of Index_(i) on the Observation Date_(t).

Relevant Price_i⁰ means the closing level of the Index_(i) on the Issue Date.

(g) *Asian Call*

When Asian Call is specified as applicable as a formula in the applicable Final Terms, unless previously redeemed or purchased and cancelled, the Final Redemption Amount payable by the Issuer on the Maturity Date will be an amount determined in accordance with the following formula:

$$100\% + \text{Max} \left(\text{Floor Level}; \text{Multiplier} \times \left(\frac{\text{Index}_{\text{Average}}}{\text{Index}_{\text{Initial}}} - 1 \right) \right)$$

Where:

Cap Level means the percentage value which defines the upper threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

Floor Level means the percentage value which defines the lower threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

Index_{Initial} means the closing level of the Index on the Issue Date.

Index_{Average} means the arithmetic mean as determined by the Calculation Agent of the closing level of the Index on each Observation Date.

Multiplier means the percentage specified as such in the applicable Final Terms.

Observation Date means each date specified as such in the applicable Final Terms.

2. Pay Off Formula for Equity Linked Redemption Notes

This Part 2 of the Technical Annex applies to Equity Linked Redemption Notes. For the purposes of this Part 2 of the Technical Annex, Underlying shall mean a Share or Shares. The Final Redemption Amount shall be determined by the Calculation Agent as follows:

- (a) If on the final Observation Date, the closing price of the Underlying is greater than or equal to the Strike, the Notes will be redeemed on the Maturity Date at 100% of their nominal amount; or
- (b) If on the final Observation Date, the closing price of the Underlying is lower than the Strike, the Notes will be redeemed on the Maturity Date by delivery of a number of Shares determined in accordance with the following formula:

Specified Denomination/Initial Price

Where:

Initial Price means the closing price of the Underlying on the Issue Date.

Strike means the percentage of the Initial Price specified as such in the applicable Final Terms.

3. Pay Off Formula for Inflation Linked Interest Notes

This Part 3 of the Technical Annex applies to Inflation Linked Interest Notes.

The Interest Amount for each Interest Period shall be calculated in accordance with Condition 4(b)(iv) as applicable on the Interest Determination Date by the Calculation Agent in accordance with following formula:

Specified Denomination × Percentage Multiplier × {Min[Max(Floor Level; Annual Perf Inflation)]; Cap Level}

Where:

Annual Perf Inflation means $\left(\frac{HICP_{Final} - HICP_{Initial}}{HICP_{Initial}} \right)$

Cap Level means the percentage value which defines the upper threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

Euro-zone means the region comprised of those member states of the European Union that have adopted or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and the Amsterdam Treaty of October 2, 1997, as further amended.

Floor Level means the percentage value which defines the lower threshold for the purposes of the relevant calculation, specified as such in the applicable Final Terms.

HICP means the Unrevised Harmonised Indices of Consumer Prices (excluding tobacco) of the Euro-zone (HICP), as published for every month by EUROSTAT (Eurostat, Statistical Office of the European Communities) and displayed on the Bloomberg screen page CPTFEMU or any successor page thereto.

HICP_{Initial} means the HICP fixing level for each month which is 15 months prior to the Interest Payment Date relating to such Interest Period.

HICP_{Final} means the HICP fixing level for each month which is 3 months prior to the Interest Payment Date relating to such Interest Period.

Percentage Multiplier means the multiplier specified as such in the applicable Final Terms.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If in respect of an issue, there is a particular identified use of proceeds this will be stated in the applicable Final Terms.

DESCRIPTION OF BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

Description of the Issuer

The Issuer (also referred to herein as **BCEE** and the **Bank**) is a public autonomous establishment having a legal personality (*établissement public autonome doté de la personnalité juridique*) created for an indefinite period pursuant to the Luxembourg act dated 21 February 1856 concerning, inter alia, the creation of a savings bank, as amended and presently governed by the Luxembourg act dated 24 March 1989 relating to Banque et Caisse d'Epargne de l'Etat, Luxembourg, as amended. The Issuer is registered with the trade and companies register at the district court in Luxembourg under number B.30775. Its registered office is at 1-2 Place de Metz, L-2954 Luxembourg; Tel: 00 352 4015-1.

The history of Banque et Caisse d'Epargne de l'Etat, Luxembourg – the State and Savings Bank, Luxembourg (**BCEE**) – is inextricably linked to that of the Grand Duchy of Luxembourg (**Luxembourg**). Created in 1856 to meet the people's needs in the areas of savings and the development of credit, BCEE has made a major contribution to the economic expansion and improved standard of living of Luxembourg.

Today, BCEE is the only major financial establishment in Luxembourg whose equity capital is entirely and directly owned by the State. Ultimate responsibility for the institution lies with the Government Minister who heads the Treasury. The competent minister exercises supreme supervision over the Bank's activities of public interest, in particular those specified in Article 5 of the Law dated 24 March 1989, in accordance with the following provisions:

- (a) by having all decisions taken by the Board communicated directly to him; and
- (b) by deciding on those decisions which are subject to his approval. Furthermore, a post of Supervisory Commissioner is established, whose procedure for appointment and powers are laid down in Article 28 of the above-mentioned Law.

As far as the Issuer is aware there are no arrangements which may result in a change of control of BCEE. In addition, BCEE promotes economic growth by providing financing for business development and public infrastructure.

Over the past decades, BCEE has developed mainly in a European and international context. As a "universal bank", covering the whole range of banking activities, it plays an active part in the Euromarkets. It has developed a network of correspondent banks worldwide.

BCEE is also a member of the "*Institut Mondial des Caisses d'Epargne*" (World Savings Bank Institute) and the "*Groupement Européen des Caisses d'Epargne*" (European Savings Bank Group), whose offices are in Brussels.

In the field of international clearing, BCEE is a member of the two international systems for clearing negotiable securities, Clearstream, Luxembourg and the Euroclear clearing system. Since the establishment of the latter, BCEE has played a very active role as a depositary bank.

BCEE offers its national and international clients a full range of banking services through a network of nearly 75 branches.

The Group

BCEE is the parent company of the Group. The consolidation scope comprises BCEE as the parent company, its subsidiaries and equity accounted for affiliates over which the Group directly or indirectly has the power of control regarding management and financial and operational policies. Subsidiaries are fully

consolidated from their date of acquisition, when the Bank, as parent company, starts to exercise control. They are deconsolidated as and when such control ceases.

Fully consolidated subsidiaries

A subsidiary is a company in which the Group holds at least a 50% stake of the voting rights or any company over which the Group directly or indirectly has the power of control regarding management and financial and operational policies.

List of subsidiaries included in the consolidation scope:

Name	% of voting rights
Lux-Index US Advisory S.A.	76.13
Lux-Pension Advisory S.A.	83.88
Lux-Croissance Advisory S.A.	87.27
Luxcash Advisory S.A.	87.33
Lux-World Fund Advisory S.A.	87.47
Luxbond Advisory S.A.	89.90
BCEE Asset Management S.A.	90.00
Lux-Protect Fund Advisory S.A.	93.00
Bourbon Immobilière S.A.	99.90
Luxembourg State and Savings Bank Trust Company S.A.	99.90
Spuerkeess Ré S.A.	100.00

The Bank's decision in December 2012 to wind up Lux-Garantie Advisory S.A. resulted in removing the company from the Group's portfolio and from the scope of full consolidation.

Investments in associates

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method. Significant influence means the Group has the power to direct a company's financial and operating policies in order to obtain a substantial share of the economic benefits. Significant influence is presumed when the Group holds, directly or indirectly through its subsidiaries, 20% or more of the voting rights.

Investments in associates are recognised at cost and the carrying amount is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate after the acquisition date. The Group's share of the associate's profit or loss is recognised in the income statement.

Equity-method consolidation ceases when the Group's interest is reduced to zero, unless the Group has incurred legal or constructive obligations to assume or guarantee commitments on behalf of the associate.

Investments in associates of the Group:

Associates	% of capital held
Direct interests	
Société Nationale de Circulation Automobile S.à r.l.	20.00
Luxair S.A.	21.81
Société de la Bourse de Luxembourg S.A.	22.74
Europay Luxembourg S.C.	27.90
Visalux S.C.	35.46
La Luxembourgeoise S.A.	40.00
La Luxembourgeoise-Vie S.A.	40.00

BioTechCube S.A.	50.00
Indirect interests	
Pecoma International S.A.	33.33
EFA Partners S.A.	29.05

The Group's decision in December 2012 to dispose of its share in Société du Parking du Théâtre S.A. removed this company from the scope of equity-method consolidation.

In 2012, Société Nationale de Contrôle Technique S.à.r.l. was renamed Société Nationale de Circulation Automobile S.à.r.l..

Note that the acquiring and issuing activities of VISALUX S.C. and EUROPAY Luxembourg S.C. are planned to be transferred to CETREL S.A., respectively to the local banks, which will result in the dissolution of the two companies in the medium term.

Banking Licence

The Issuer is regulated by the Law of 24 March 1989 on Banque et Caisse d'Epargne de l'Etat which states in its article 4 that the object of the Issuer is to carry out, alone or jointly, either for itself or on behalf of third parties, all financial and banking activities with any person, whether physical or legal, as well as all analogous, related or ancillary transactions.

Shareholder Structure

The Issuer has an issued capital of €173,525,467, revaluation reserves of €609,867,885 and consolidated reserves of €2,386,960,748 as at 31 December 2012. The own funds of the Bank consist of the capital and the reserves. The capital belongs to the State. No shares have been issued. Any modifications can only be made by a Grand Ducal regulation adopted following an opinion of the State Council and the agreement of the relevant commission of the Parliament.

Employees

As of 31 December 2012, the number of BCEE employees was approximately 1,811.

Business Activities

BCEE is entitled to carry out, alone or jointly, either on behalf of itself or for third parties, with any physical or legal person, any financial or banking operations as well as all operations analogous, connected or accessory thereto.

In addition, BCEE is entitled to carry out any other operations directly or indirectly related to its purpose or intended to facilitate the achievement thereof.

As well as being the state bank, BCEE aims to contribute, by way of its activities, particularly its financing activities, to the economic and social development of the country and the promotion of saving in all its forms. As well as being a universal bank, BCEE offers both its national and international clients the banking services which they are entitled to expect today from a financial intermediary.

It has been the traditional objective of BCEE to promote the construction of housing and to facilitate the acquisition of real estate. In the context of its mission of promoting savings in all possible forms, BCEE offers numerous savings instruments, including private banking facilities such as foreign currency accounts, precious metal and custody accounts. BCEE is also active in the sector of investment funds and offers its services both as a custodian bank for funds and as a promoter and manager.

The activities of the Bank are focused on the retail market, the wealth management market, as well as the property market, and on small and medium-sized corporate customers in Luxembourg and the surrounding regions. These activities include the traditional banking business areas of loans, deposits, investment in securities, payments handling (both in Luxembourg and abroad) and guarantees.

Retail and Professional

Growth has been particularly encouraging in this segment, which represents BCEE Group's traditional customer base. Significant investments are made every year to constantly improve the quality of the business relationship with these customers.

In 2012, the Bank inaugurated the new building in the Finance Centre Grevenmacher, designed to be a low-energy building promoting the use of renewables. This project is part of the branch network modernisation programme based on a marketing strategy of opening finance centres in locations across the country and giving customers access to specialist advisors in the different banking areas.

The branch network's personalised banking services offer is rounded out by the range of state-of-the-art and constantly updated electronic banking services. Following up on this strategy, the Bank opened its first BCEE online branch, offering the same services as a traditional bank branch but without a physical outlet, intended for customers who prefer to do their banking electronically using messaging, S-net, telephone and email.

The resounding success of its S-net systems confirms BCEE's undisputed leadership in the electronic banking services market in Luxembourg. The Bank saw dynamic growth in its financial exposure, particularly in the area of property loans with the home-loan portfolio up 9%.

Savings deposits continued to increase as customers seek security amid financial market uncertainty. On the other hand, time deposit exposure declined, reflecting the product's lack of appeal, but the fall was partially offset by the launch of the euro-denominated gradual-rate deposit account, for terms of 18 months to five years, with or without exit option, offering an interest rate that increases every six months.

The Bank continued to expand its range of investment funds with the launch of a new LUX-EQUITY SICAV (open-end investment fund) segment, investing primarily in companies that pay out attractive dividends and enjoy significant growth potential, and a new LUXBOND SICAV segment aimed at customers with a conservative risk profile.

To enhance its visibility in the insurance market, BCEE, together with insurance company La Luxembourgeoise-Vie, launched "LALUX Safe Cover", a long-term savings life insurance policy to help a child. Funds are released in the form of annuities during the child's education.

Corporate and Public Sector

The Bank experienced growth momentum in the highly competitive area of corporate and public sector banking. 2012 saw a tightening in commercial margins on investment products for business customers. With very low money market rates, the Bank did not pass on all the rate reductions to the range of investment products offered to customers.

Backed by the quality of its service and motivated staff, it maintained a high level of outstanding amounts.

The Bank has a team of advisors for small and medium-sized companies in each finance centre and held conferences for business customers on a wide range of topics as part of its corporate social responsibility activities.

Capital Markets

In a market environment characterised by very low intermediation margins, the Bank managed to achieve a higher interest margin, due to the historical positions of its bond portfolio and the Asset Liability Management (ALM) Committee's prudent policy of changing maturities. Nonetheless, as the yield curve flattens, it is increasingly difficult to find investment conditions with good margins for matured investments.

In 2012, the cost of risk fell substantially compared with 2011, when allowances for impairment of a sovereign debt were recognised and BCEE's exposure to the bonds of another sovereign state was reduced.

Investment Fund Administration and Management

Net banking income rose slightly year-on-year reflecting the higher revenues from the administration and management of foreign investment funds.

However, income from this activity declined due to the write-back of allowances for impairment in 2011 which unfavourably impacted the annual comparison.

Recent Developments and New Business

Business Developments in 2012: Excellent performance in a rapidly changing economic environment:

- Very strong growth in net income (+79.8%).
- Robust growth in the home loan portfolio (+9.0%).
- Growth in loans to businesses and to the public sector (+2.9%).
- Slight lift (+0.6%) in overall customer deposits, 3.1% growth in private customer deposits. Deposits were highly volatile as very low interest rates led customers to seek value elsewhere.
- Continued strengthening of capital ratios, with a total capital ratio of 25.3% and a Tier 1 ratio of 16.7%.
- Excellent AA+ and Aa1 ratings confirmed by both Standard and Poor's and Moody's.
- BCEE ranked amongst the world's 10 safest banks, and was awarded the "Best Bank Award – Luxembourg" by Global Finance magazine.
- Opening of a BCEE online branch, offering the same services but without a physical presence.
- Presentation of the new e-ZEBRA packages for private customers, with a focus on electronic channels for everyday banking transactions.
- Launch of gradual rate deposits, for accounts denominated in euros for terms from 18 months to five years, with or without an exit option, intended for private customers and offering an interest rate that increases every six months.
- Launch of a new LUX-EQUITY SICAV (open-end investment fund) segment, investing primarily in companies that pay out attractive dividends and enjoy significant growth potential, and a new LUXBOND SICAV (open-end investment fund) segment for customers with a conservative risk profile.
- 54 employees hired.

Outlook

Europe should see a return to growth in the second half of 2013, albeit at a low rate, in light of developments such as the agreement on the framework for the introduction of European banking supervision, progress made in achieving financial stability and the European Central Bank's (ECB) continued policy of keeping interest rates low.

In Luxembourg, the general economy will continue to weigh on the public purse and the labour market, with the risk of the impact spreading to sectors of the economy which had been relatively spared until now.

In the regulatory arena, the Bank continues its preparatory work for implementation of the CRR/CRD IV regulations, focusing on compliance with new stricter capital adequacy ratios, the calculation of new liquidity ratios and the introduction of a leverage ratio. With its stable equity capital and comfortable liquidity, BCEE will be in a position to meet future requirements in this area. Moreover, given its very sound deposit base, its funding needs in the bond market will be very limited in 2013.

In the particular context described above, the Bank will closely monitor economic indicators and the financial markets and will continue to take the measures required to address negative developments, without endangering its growth and fully assuming its roles and responsibilities as a bank serving its customers and the country's economy in general, in accordance with its missions under the law of 24 March 1989, and in line with the Bank's history.

The European Central Bank has kept interest rates at a record low since the rate cut on 5 July 2012. However the policy has failed to kick-start the eurozone economy, which remained in recession in the fourth quarter of 2012 and is struggling to recover in the first quarter of 2013. Interest rates are expected to remain at historically low rates, which in turn will have a negative impact on BCEE's interest income in the 2013 financial year.

GOVERNING BODIES OF THE ISSUER

The organisation of BCEE, the country's leading financial institution established in 1856, was updated by the Law of 24 March 1989 which defines the respective powers of the Board of Directors and the Executive Committee. According to Article 8 of this constitutional law, "the Board of Directors shall define the general policy of the Bank and supervise the management of the Executive Committee. All administrative acts and arrangements necessary or conducive to the attainment of the Bank's objects shall be the responsibility of the Executive Committee, subject to the authorisations required hereunder".

BOARD OF DIRECTORS

CHAIRMAN	Mr Victor ROD	Director of the " <i>Commissariat aux Assurances</i> ", Howald
VICE-CHAIRMAN	Mr Patrick GILLEN	Director Financial Control, Ministry of Finance, Dudelange
MEMBERS	Mr Georges DENNEWALD	Staff Representative, Kehlen
	Mr Paul ENSCH	Director, Chamber of Commerce, Mersch
	Mr Manuel NICOLAS	Ministry of the Economy and Foreign Trade, Luxembourg
	Mr Nico RAMPONI	Staff Representative, Luxembourg
	Mrs Elisabeth SANDT	Ministry of Finance, Luxembourg
	Mrs Elisabeth MANNES-KIEFFER	Ministry of the Economy and Foreign Trade, Luxembourg
	Mr Fernand SPELTZ	Adviser to the Chamber of Employment, Howald

SUPERVISORY COMMISSIONER

Mr Georges HEINRICH Director of the Treasury, Luxembourg

EXECUTIVE COMMITTEE

PRESIDENT	Mr Jean-Claude FINCK	Chief Executive Officer, Foetz
MEMBERS	Mr Michel BIREL	Deputy Chief Executive Officer, Moutfort
	Mr Gilbert ERNST	Executive Vice-President, Luxembourg
	Mrs Françoise THOMA	Executive Vice-President, Luxembourg
	Mr Guy ROSSELJONG	Executive Vice-President, Moutfort

The business address of each of the Directors and members of the Executive Committee is 1-2 Place de Metz, L-2954 Luxembourg.

The Issuer is not aware of any potential conflicts of interest between the duties to the Issuer of the persons listed under "Board of Directors", "Supervisory Commissioner" and "Executive Committee" above and their private interests or other duties.

TAXATION

1. Grand Duchy of Luxembourg

General

The following information is of a general nature only and is based on the laws in force in Luxembourg as of the date of this Prospectus. It does not purport to be a comprehensive description of all tax implications that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should consult their professional advisers with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the holders of Notes

Withholding Tax

- Non-residents

Under the Luxembourg tax laws currently in force and subject to the application of the Luxembourg laws dated 21 June 2005 (**Laws**) implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of the Notes. There is also no Luxembourg withholding tax, upon repayment of the principal, or subject to the application of the Laws, upon redemption or exchange of the Notes. Under the Laws, a Luxembourg-based paying agent (within the meaning of the Savings Directive) has been required, since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity (**Residual Entity**) in the sense of article 4.2. of the Savings Directive (ie an entity (1) without legal personality except for (a) a Finnish *avoin yhtiö* and *kommandiittiyhtiö* / *öppet bolag* and *kommanditbolag* and (b) a Swedish *handelsbolag* and *kommanditbolag*, and (2) whose profits are not taxed under the general arrangements for the business taxation and (3) that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC, as replaced by Directive 2009/65/EC of 13 July 2009), resident or established in another Member State of the European Union, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities

resident or established in any of the following territories: Aruba, British Virgin Islands, Curaçao, Guernsey, Isle of Man, Jersey, Montserrat and Sint Maarten.

The withholding tax is levied at a rate of 35% as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries. In April 2013 the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The Savings Directive is currently under review and the impact of possible amendments should be closely monitored. Holders of Notes should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive in their investment.

- Residents

Under the amended Luxembourg law dated 23 December 2005 (the **Law**), a 10% withholding tax is levied as of 1 January 2006, on interest payments (or similar income) (accrued since 1 July 2005) made by a Luxembourg paying agent to or for the immediate benefit of Luxembourg resident individuals. This withholding tax also applies on accrued interest received upon sale, redemption or repurchase of the Notes. 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.

Furthermore, Luxembourg resident individuals, acting in the course of the management of their private wealth who are the beneficial owners of interest payments (or similar income) made by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive, may opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10% final levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

In each case described here above (residents and non-residents), responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

Taxation of the Noteholder

- Tax residence

A non-resident holder of Notes will not become resident, or be deemed to be resident in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

- Income tax

For the purposes of this paragraph, a disposal may include a sale, an exchange, a contribution, a redemption and any other kind of transfer of the Notes.

- Non-residents

A non-resident holder of Notes, not having a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, is not subject to Luxembourg income tax on interest received or accrued on the Notes, on payments upon

redemption or repayment of principal. A gain realised by such non-resident holder of Notes, on the sale or disposal, redemption, repurchase or exchange, in any form whatsoever, of Notes is also not subject to Luxembourg income tax.

Corporate holders of Notes who are not resident, or individual holders of Notes acting in the course of the management of a professional or business undertaking and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg income tax on interest accrued or received on the Notes, on any reimbursement premium received at maturity and on any gains realised upon the disposal, in any form whatsoever, of the Notes.

- Resident individuals

An individual holder of Notes acting in the course of the management of his/her private wealth is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a final withholding tax has been levied thereon by a Luxembourg paying agent on such payments or, in case of a non-resident paying agent, if such individual holder of the Notes has opted for the 10% levy, in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the disposal of the Notes by an individual holder of the Notes, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, on the disposal of the Notes are not subject to Luxembourg income tax, provided the disposal takes place more than six months after the acquisition of the Notes and the Notes do not constitute Zero Coupon Notes. Gains realised by an individual holder of Zero Coupon Notes who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes must include the difference between the sale, repurchase, exchange or redemption price and the issue price of a Zero Coupon Note in his/her taxable income.

An individual holder of the Notes, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gains realised on the Notes corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

Gains realised upon a disposal of the Notes by an individual holder of the Notes acting in the course of the management of a professional or business undertaking and who is a resident of Luxembourg for tax purposes are subject to Luxembourg income taxes.

- Corporate residents

Luxembourg resident corporate holders of Notes must include any interest received or accrued, as well as any gain realised on the sale, disposal or redemption of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident corporate holders of Notes who benefit from a special tax regime, such as, for example, (a) undertakings for collective investment subject to the amended law of 17 December 2010, (b) specialised investment funds governed by the amended law of 13 February 2007, or (c) family wealth management companies governed by the amended law of 11 May 2007, are exempt from income and wealth taxes in Luxembourg and, therefore,

income derived from the Notes, as well as gains realised thereon, is not subject to Luxembourg income taxes.

Other Taxes

- Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes unless evidenced by notarial deed or otherwise registered in Luxembourg.

- Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer of the Notes if, for Luxembourg value added tax purposes, such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

- Net wealth tax

Luxembourg resident holders of Notes and holders of Notes who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg net wealth tax on such Notes unless such holders are (a) resident or non-resident individual taxpayers, (b) a family wealth management company governed by the amended law of 11 May 2007, (c) an undertaking for collective investment subject to the amended law of 17 December 2010, (d) a securitisation company subject to the amended law of 22 March 2004 on securitisation, (e) a company subject to the amended law of 15 June 2004 on venture capital vehicles, or (f) a specialised investment fund subject to the amended law of 13 February 2007.

- Inheritance and gift taxes

No estate or inheritance taxes are levied on the transfer of the Notes, upon death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes, if the gift is recorded in a deed passed in front of a Luxembourg notary or registered in Luxembourg.

2. EU Savings Directive

Under the Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or a residual entity within the meaning of the Savings Directive resident or established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013 the Luxembourg

Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

3. **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (a) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (b) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a **Recalcitrant Holder**). The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (a) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **grandfathering date**, which is the later of (i) 1 January 2014 and (ii) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (b) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The Luxembourg Government has announced its intention to conclude a Model 1 IGA with the United States and has commenced negotiations with the United States to this end.

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (a) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (b) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional

amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depository or Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA 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 clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

4. Proposed EU Financial Transaction Tax

The European Commission recently published a proposal for a Directive for a common financial transaction tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). The tax would be applicable from 1 January 2014.

The proposed FTT has very broad, potentially extraterritorial scope. Generally, it would apply to financial transactions where at least one party is a financial institution, and (a) one party is established in a participating Member State or (b) the financial instrument which is subject to the transaction is issued by an issuer having its registered seat in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including by merely transacting with a person established in a participating Member State.

In relation to many secondary market transactions in bonds and shares, the proposed FTT would be charged at a minimum rate of 0.1% on each financial institution which is party to the transaction. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt. The FTT also imposes a charge on the conclusion of, and a purchase and sale of a derivative contract; this charge will be levied at not less than 0.01% of the nominal amount of the derivative. Physical settlement of a derivative contract is also likely to trigger a further charge. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds or shares (for instance, cleared transactions) could be in excess of 0.1%.

A person transacting with a financial institution which fails to account for FTT would be jointly and severally liable for that tax.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation. Additional Member States may decide to participate. Prospective holders of Notes are strongly advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement dated 28 June 2013 (such Agreement, as amended, supplemented or restated from time to time, the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (a) as part of their distribution at any time and (b) otherwise until 40 days after the completion of the distribution 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 and it will have sent to each dealer to which it sells 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 the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each issue of Exempt Notes which are also Index Linked Interest Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the

subject of the offering contemplated by the Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt 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; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- 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 has represented and agreed and each further 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 an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and any additional written information provided or authorised by the Issuer 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 and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer held on 26 October 1994 and 11 December 1996 and a resolution of the Executive Committee of the Issuer held on 4 September 1997. The increases in the Programme limit were authorised pursuant to resolutions of the Board of Directors of the Issuer on 10 December 1997 and 2 December 1999 and by resolutions of the Executive Committee of the Issuer on 28 January 1999 and 25 January 2000. The update of this Programme has been authorised by a resolution of the Executive Committee of the Issuer held on 18 June 2013.

Approval, Listing and Admission to Trading

This document has been approved by the CSSF as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme 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 the Markets in Financial Instruments Directive (Directive 2004/39/EC).

An application for admission to trading on the Luxembourg Stock Exchange's regulated market and for listing on the Official List of the Luxembourg Stock Exchange is without prejudice to the Issuer's right to apply for admission to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed upon between the Issuer and the relevant dealer.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents (in physical form) are or will be, when published, available from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (a) the constitutional documents of association (in English) of the Issuer;
- (b) the audited consolidated annual accounts of the Issuer in respect of the financial years ended 31 December 2012 and 31 December 2011 in French, in each case together with the independent auditor's report in French prepared in connection therewith;
- (c) an English translation of the original version in French of the consolidated annual accounts of the Issuer in respect of the financial year ended 31 December 2012 together with the independent auditor's report thereon;
- (d) the most recently available published audited consolidated annual accounts of the Issuer and the most recently available published non-consolidated interim annual accounts (if any) of the Issuer (in English) in each case together with any audit or review reports prepared in connection therewith (as at the date of this Prospectus, the Issuer does not publish any interim annual accounts);
- (e) the Programme Agreement, the Agency Agreement (which includes the forms of the Temporary global Notes, the Permanent global Notes, the Definitive Notes, the Receipts, the Coupons and the Talons) and the Deed of Covenant;
- (f) a copy of this Prospectus;

- (g) any future prospectuses, offering circulars, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (h) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through additional or alternative clearing system, the appropriate information will be specified in the relevant Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 avenue J.F. Kennedy, L-1855 Luxembourg.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer since 31 December 2012 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2012.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Litigation

The Issuer (whether as defendant or otherwise) is not nor has been engaged in any governmental, legal, arbitration, administrative or other proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Independent Auditors

The independent auditors of the Issuer are PricewaterhouseCoopers Société coopérative (member of the *Institut des Réviseurs d'Entreprises*) who have audited the Issuer's annual consolidated and non-consolidated accounts without qualification in accordance with IFRS (in the case of the consolidated annual accounts) and the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts (in the

case of the non-consolidated annual accounts) for each of the two financial years ended on 31 December 2011 and 31 December 2012.

The reports of the independent auditors of the Issuer are incorporated in this Prospectus by reference along with the related consolidated and non-consolidated annual accounts.

Post-issuance Information

The Issuer does not intend to provide post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities, except if required by any applicable laws and regulations.

Dealers Transacting with the Issuer

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 and its affiliates in the ordinary course of business.

Expenses Charged to the Investor by the Issuer

The Issuer may charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1% and 7% of the nominal amount of the Notes to be purchased by the relevant investor unless specified below with respect to a specific issue of Notes.

THE ISSUER

Banque et Caisse d'Epargne de l'Etat,
Luxembourg
1-2, place de Metz
L-2954 Luxembourg

THE ARRANGER

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

AGENT

Banque et Caisse d'Epargne de l'Etat,
Luxembourg
1-2, place de Metz
L-2954 Luxembourg

ISSUING AGENT

Citibank, N.A., London Branch
13th floor
Citigroup Centre
Canary Wharf
London E14 5LB
United Kingdom

PAYING AGENTS

Banque et Caisse d'Epargne de l'Etat,
Luxembourg
1-2 place de Metz
L-2954 Luxembourg

Citibank, N.A., London Branch
Citigroup Centre
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS

*To the Dealers
as to English law*
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

*To the Issuer
as to Luxembourg law*
Arendt & Medernach
14, rue Erasme
L-2081 Luxembourg

DEALERS

Banco Bilbao Vizcaya
Argentaria, S.A.
Via de los Poblados s/n
28033 Madrid
Spain

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Crédit Agricole Corporate and
Investment Bank
9, quai du Président Paul Doumer
92920 Paris la Défense Cedex
France

Deutsche Bank AG,
London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Mizuho International plc
Bracken House
One Friday Street
London EC4M 9JA
United Kingdom

Morgan Stanley & Co.
International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

AUDITORS

PricewaterhouseCoopers Société coopérative
400, route d'Esch
B.P. 1443
L-1014 Luxembourg

LUXEMBOURG LISTING AGENT

Banque et Caisse d'Epargne de l'Etat, Luxembourg
1-2, place de Metz
L-2954 Luxembourg