

IMPORTANT NOTICE – PROSPECTUS

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE PROSPECTUS IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND MAY BE OFFERED OR SOLD IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS WHO ARE QUALIFIED PURCHASERS (EACH AS DEFINED BELOW) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS (AS DEFINED BELOW) IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT. THE SECURITIES MAY ONLY BE RESOLD OR TRANSFERRED IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH UNDER "SUBSCRIPTION AND SALES" IN THE ATTACHED PROSPECTUS.

IN ORDER TO BE ELIGIBLE TO ACCESS THE PROSPECTUS OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES DESCRIBED THEREIN, YOU AND ANY ENTITY THAT YOU REPRESENT EITHER MUST (A) BE A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("**QUALIFIED INSTITUTIONAL BUYER**") AND ALSO A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED ("**QUALIFIED PURCHASER**"), OR (B) BE OUTSIDE THE UNITED STATES AND NOT BE A "U.S. PERSON" WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON IN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS SUCH PERSON IS A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER AS DEFINED ABOVE. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have made certain acknowledgements, representations and agreements, as set forth under "Subscription and Sales" in the Prospectus, including that you and any entity that you represent are either (i) outside the United States and not a U.S. person or (ii) a Qualified Institutional Buyer and a Qualified Purchaser; and, in each case, that you consent to delivery of the Prospectus by electronic transmission. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Bookrunner or any affiliate of the Bookrunner is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Bookrunner or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of KBC Bank NV, any person who controls KBC Bank NV, any director, officer, employee nor agent or affiliate of any such person, the Issuer or any director, officer, employee nor agent or affiliate of the Issuer accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format herewith and the hard copy version available to you on request from KBC Bank NV or the Issuer.

PROSPECTUS

REGENT STREET FINANCE LIMITED

(a limited liability company incorporated in Jersey with registered number 95912)

EUR 93,550,000 Class A1 Floating Rate Credit-Linked Notes
EUR 120,000,000 Class A2 Floating Rate Credit-Linked Notes
EUR 112,500,000 Class B Floating Rate Credit-Linked Notes
EUR 105,000,000 Class C Floating Rate Credit-Linked Notes
EUR 82,500,000 Class D Floating Rate Credit-Linked Notes
EUR 67,500,000 Class E Floating Rate Credit-Linked Notes
EUR 40,000,000 Class F Floating Rate Credit-Linked Notes
EUR 37,500,000 Class G Floating Rate Credit-Linked Notes
EUR 30,000,000 Class H Floating Rate Credit-Linked Notes

Issue Price: 100 per cent.

Regent Street Finance Limited (the "**Issuer**") will issue the EUR 93,550,000 Class A1 Floating Rate Credit-Linked Notes (the "**Class A1 Notes**"), the EUR 120,000,000 Class A2 Floating Rate Credit-Linked Notes (the "**Class A2 Notes**"), the EUR 112,500,000 Class B Floating Rate Credit-Linked Notes (the "**Class B Notes**"), the EUR 105,000,000 Class C Floating Rate Credit-Linked Notes (the "**Class C Notes**"), the EUR 82,500,000 Class D Floating Rate Credit-Linked Notes (the "**Class D Notes**"), the EUR 67,500,000 Class E Floating Rate Credit-Linked Notes (the "**Class E Notes**"), the EUR 40,000,000 Class F Floating Rate Credit-Linked Notes (the "**Class F Notes**"), the EUR 37,500,000 Class G Floating Rate Credit-Linked Notes (the "**Class G Notes**") and the EUR 30,000,000 Class H Floating Rate Credit-Linked Notes (the "**Class H Notes**") on the terms and conditions set forth in a note trust deed dated 28 February, 2007, between the Issuer and BNY Corporate Trustee Services Limited as note trustee and security trustee (the "**Note Trust Deed**").

The Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes are together referred to as the "**Notes**". Each of the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes is referred to as a "**Class**" or a "**Class of Notes**". Capitalised terms used in this Prospectus are defined herein. Defined terms and their page references in this Prospectus are set out in the Index of Defined Terms.

Interest will accrue on the Adjusted Principal Balance of each Class of Notes at the Rate of Interest applicable to such Class. Prior to the Termination Date, the Rate of Interest applicable in respect of each Class of Notes will be the rate set out below opposite such Class of Notes:

<u>Class</u>	<u>Rate of Interest</u>	<u>Expected Moody's Rating</u>	<u>Expected Fitch Rating</u>	<u>Issue Price</u>
Class A1 Notes	EURIBOR plus 0.400%	Aaa	AAA	100%
Class A2 Notes	EURIBOR plus 0.600%	Aaa	AAA	100%
Class B Notes	EURIBOR plus 0.750%	Aa1	AA+	100%
Class C Notes	EURIBOR plus 0.850%	Aa2	AA	100%
Class D Notes	EURIBOR plus 1.000%	Aa3	AA-	100%
Class E Notes	EURIBOR plus 1.700%	A2	A	100%
Class F Notes	EURIBOR plus 2.100%	A3	A-	100%
Class G Notes	EURIBOR plus 3.050%	Baa2	BBB	100%
Class H Notes	EURIBOR plus 5.000%	Ba1	BB+	100%

Provided that if the Swap Termination Option has not been exercised in respect of (or prior to) the Coupon Step-Up Date (being the Payment Date scheduled to fall in April, 2017) and the Termination Date has not otherwise occurred, an increased Rate of Interest will, subject to the applicable Conditions, apply in respect of each Class of Notes thereafter. In any event, the Rate of Interest for each Class of Notes on and after the Termination Date will be EURIBOR flat. The Agent Bank will determine EURIBOR for each Interest Period pursuant to the Conditions for a period equal to the Designated Maturity, save in respect of the first Interest Period, which will be determined by straight line linear interpolation of the rates which appear in respect of 1 month and 2 month deposits.

It is expected that each Class of Notes will receive a rating at the time of issuance at least equivalent to that indicated in the table above by each of Moody's and Fitch. There can be no guarantee that if any such rating is obtained it will be retained at any time at which the Notes remain outstanding.

The date on which payment of principal of the Notes is scheduled to commence is the Scheduled Amortisation Commencement Date, being the Payment Date scheduled to fall in April, 2017. The Termination Date may occur and, accordingly, the repayment of principal of the Notes may commence prior to the Scheduled Amortisation Commencement Date as a result of the occurrence of the Tax Redemption Date, the Enforcement Date, the Optional Termination Date or the Early Termination Date.

Concurrently with the issuance of the Notes, the Issuer will enter into the Portfolio Credit Swap with KBC Investments Cayman Islands V, Ltd. (the "**Portfolio Swap Counterparty**") pursuant to which the Issuer will sell credit protection to the Portfolio Swap Counterparty in respect of a Reference Portfolio of (a) issuers and obligors of corporate debt and asset backed securities, (b) certain unfunded credit default swap exposures designated by the Portfolio Swap Counterparty in the Reference Registry and (c) issuers and obligors of project finance debt. From, but excluding, the Closing Date, the Reference Portfolio may be adjusted by the Portfolio Swap Counterparty in accordance with the terms of the Portfolio Credit Swap. The Adjusted Principal Balance of the Notes will automatically reduce without commensurate payment to Noteholders if and to the extent that the Issuer is required to pay Cash Settlement Amounts and Cash Reserves are, at such time, insufficient to meet such payment. To the extent not previously paid or reduced, the aggregate Adjusted Principal Balance of, and accrued and unpaid interest on, the Notes will be due and payable on the Legal Maturity Date, being the Payment Date scheduled to fall in April, 2040.

KBC BANK NV

as Bookrunner

The date of this Prospectus is 28 February, 2007

An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment. For a description of certain risks and other factors that should be considered by prospective investors in connection with an investment in the Notes, see the section titled "*Risk Factors*".

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC of 4 November 2003 (the "**Prospectus Directive**"). Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market. References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and trading on the regulated market of the Irish Stock Exchange. The regulated market of the Irish Stock Exchange is a regulated market for the purposes of the Investment Services Directive (93/22/EEC). There can be no assurance that any such listing will be maintained.

This Prospectus is not a prospectus for purposes of Section 12(a)(2) or any other provision of or rule under the United States Securities Act of 1933, as amended (the "**Securities Act**").

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**1940 ACT**"). THE NOTES ARE BEING OFFERED AND SOLD (A) IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT), EXCLUSIVELY TO PERSONS THAT ARE BOTH (I) QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") (WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE SECURITIES ACT) AND (II) QUALIFIED PURCHASERS ("**QPS**") (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE 1940 ACT AND THE RULES THEREUNDER) AND (B) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN ACCORDANCE WITH REGULATION S. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER "*RESTRICTIONS ON PURCHASE AND TRANSFER OF THE NOTES*". EACH PURCHASER OF NOTES IN MAKING ITS PURCHASE WILL BE REQUIRED TO MAKE OR BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH UNDER "*ERISA CONSIDERATIONS*", "*SUBSCRIPTION AND SALES*" AND "*RESTRICTIONS ON PURCHASE AND TRANSFER OF THE NOTES*".

THE NOTES WILL BE LIMITED RECOURSE OBLIGATIONS OF THE ISSUER. ALL PAYMENTS OF PRINCIPAL AND INTEREST TO BE MADE BY THE ISSUER UNDER THE NOTES AND ALL PAYMENTS TO BE MADE BY THE ISSUER UNDER THE OTHER TRANSACTION DOCUMENTS WILL BE PAYABLE ONLY FROM THE SUMS PAID TO, OR NET PROCEEDS RECOVERED BY OR ON BEHALF OF, THE ISSUER OR THE SECURITY TRUSTEE IN RESPECT OF THE RELEVANT CHARGED ASSETS AND THERE WILL BE NO OTHER ASSETS OF THE ISSUER AVAILABLE FOR ANY FURTHER PAYMENTS. THE SECURITY TRUSTEE AND THE OTHER SECURED PARTIES WILL BE ENTITLED TO LOOK SOLELY TO SUCH SUMS AND PROCEEDS AND THE RIGHTS OF THE ISSUER IN RESPECT OF THE RELEVANT CHARGED ASSETS FOR PAYMENTS TO BE MADE BY THE ISSUER. HAVING ENFORCED THE SECURITY AND DISTRIBUTED THE NET PROCEEDS THEREOF IN ACCORDANCE WITH THE TERMS OF THE SECURITY TRUST DEED, NONE OF THE SECURITY TRUSTEE NOR ANY OTHER SECURED PARTY MAY TAKE ANY FURTHER STEPS AGAINST THE ISSUER TO RECOVER ANY UNPAID SUM AND THE ISSUER'S LIABILITY FOR ANY SUCH SUM WILL BE EXTINGUISHED.

The Notes will be the direct obligations solely of the Issuer and will not represent an interest in, or obligations of, and will not be insured or guaranteed by or be the responsibility of any Agent, any Swap Agent, the Administrator, the Account Bank, the Eligible Custodian (if any), the Applicable Collateral Counterparty, the Bookrunner, the Portfolio Swap Counterparty, the Applicable Collateral Guarantor (if any), the Corporate Services Provider, the Note Trustee or the Security Trustee, any of their respective affiliates, any governmental agency or any other entity other than the Issuer.

THE NOTES MAY NOT BE OFFERED TO, SOLD TO OR PURCHASED OR HELD BY OR FOR THE ACCOUNT OF PERSONS RESIDENT FOR INCOME TAX PURPOSES IN JERSEY (OTHER THAN FINANCIAL INSTITUTIONS IN THE NORMAL COURSE OF BUSINESS).

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this Prospectus and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in Treasury regulation section 1.6011-4). This authorisation of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

Responsibility Statement

Save for the information in the sections in this Prospectus headed "*KBC Investments Cayman Islands V, Ltd*" (the "**KBC Cayman Information**"), "*KBC Bank NV*" (the "**KBC Bank Information**") and "*KBC Investments Hong Kong Limited*" (the "**KBC Hong Kong Information**") (the remaining information being the "**Issuer Information**") the Issuer accepts responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the

case, the Issuer Information contained in this Prospectus is, to the best of the knowledge and belief of the Issuer, in accordance with the facts and does not omit anything likely to affect the import of such information. KBC Bank NV ("**KBC Bank**") accepts responsibility for the KBC Bank Information. Having taken all reasonable care to ensure that such is the case, the KBC Bank Information contained in this Prospectus is, to the best of the knowledge and belief of KBC Bank, in accordance with the facts and does not omit anything likely to affect the import of such information. KBC Bank accepts no responsibility with regard to the contents of this Prospectus other than the KBC Bank Information. KBC Investments Cayman Islands V, Ltd. ("**KBC Cayman**") accepts responsibility for the KBC Cayman Information. Having taken all reasonable care to ensure that such is the case, the KBC Cayman Information contained in this Prospectus is, to the best of the knowledge and belief of KBC Cayman, in accordance with the facts and does not omit anything likely to affect the import of such information. KBC Cayman accepts no responsibility with regard to the contents of this Prospectus other than the KBC Cayman Information. KBC Investments Hong Kong Limited ("**KBC Hong Kong**") accepts responsibility for the KBC Hong Kong Information. Having taken all reasonable care to ensure that such is the case, the KBC Hong Kong Information contained in this Prospectus is, to the best of the knowledge and belief of KBC Hong Kong, in accordance with the facts and does not omit anything likely to affect the import of such information. KBC Hong Kong accepts no responsibility with regard to the contents of the KBC Hong Kong Information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Note Trustee or the Security Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes.

No dealer, salesman or other person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such other information or representations must not be relied upon as having been authorised by the Issuer, the Bookrunner, the Note Trustee or the Security Trustee. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorised or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus at any time, nor any sale made in connection herewith, will, in any circumstances, create an implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any time subsequent to such date.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Bookrunner to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such offer or a solicitation by anyone not authorised so to act. In particular, the Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. See "RESTRICTIONS ON PURCHASE AND TRANSFER OF THE NOTES", "ERISA CONSIDERATIONS" and "SUBSCRIPTION AND SALE" BELOW.

This Prospectus contains summaries believed to be accurate with respect to certain terms of certain documents, and such summaries are qualified in their entirety by reference to such documents. The contents of this Prospectus are not to be construed as legal, business or tax advice.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain aspects relating to enforcement action against the Issuer in the United States

The Issuer is a limited liability company incorporated under the laws of Jersey, Channel Islands. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been informed by Bedell Cristin Jersey Partnership, its legal advisor in Jersey, that the United States and Jersey do not have in place a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the United States securities laws, could not be enforced by the Courts of Jersey without the institution of fresh proceedings in Jersey, which proceedings might, inter alia, involve a re-examination of the merits of the case.

Information as to placement within the United States

This Prospectus has been prepared by the Issuer solely for use in connection with the issue of the Notes. This Prospectus is personal to each potential investor to whom it has been delivered by the Issuer, the Bookrunner or any of their respective affiliates and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Prospectus in the United States to any persons other than the potential investors and those persons, if any, retained to advise such potential investors with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each potential investor in the United States, by accepting delivery of this Prospectus, agrees to the foregoing and not to reproduce all or any part of this Prospectus.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

Available information

To permit compliance with Rule 144A under the Securities Act for resale of the Rule 144A Notes, the Issuer will make available upon request to a holder of any such Note and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is not a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

References to currencies

In this Prospectus, unless otherwise specified, references to "Euro", "euro" and "EUR" each mean the lawful currency from time to time of the Member States of the European Union that adopt the single currency from time to time in accordance with the EC Treaty, references to "£", "GBP", "sterling" and "Sterling" are references to the lawful currency from time to time of the United Kingdom and references to "\$", "dollars", "Dollars", "USD" and "U.S. dollars" are references to the lawful currency from time to time of the United States of America.

Stabilisation

In connection with this issue, KBC Bank NV (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes (**provided that** the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the 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 (or persons acting on behalf of the 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 Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier to occur of 30 days after the issue date and 60 days after the date of the allotment of the Notes.

Forward-Looking Statements

This Prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Prospectus and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans", or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. The Bookrunner has not attempted to verify any such statements, nor does it make any representations, express or implied, with respect thereto.

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SUMMARY OF TERMS

The following summary of the principal features of the transaction does not purport to be complete and is taken from, and qualified in its entirety by, the more detailed information contained elsewhere in this Prospectus, and, without limitation, the Conditions. Words or expressions used but not expressly defined in this summary will have the meanings given to them elsewhere in this Prospectus and in the Conditions. An index of defined terms is set out at the back of this Prospectus. Prospective investors should consider carefully the information set forth in the section entitled "Risk Factors" and all other information set forth in this Prospectus prior to making an investment in the Notes.

Transaction Overview

Concurrently with the issuance of the Notes, the Issuer will, on the Closing Date, enter into the Portfolio Credit Swap. Pursuant to the terms of the Portfolio Credit Swap, in return for periodic payments of Portfolio Credit Swap Premium and Cash Reserve Amounts, the Issuer will be liable to pay Cash Settlement Amounts to the Portfolio Swap Counterparty, subject to the occurrence of one or more Credit Events with respect to Reference Entities identified in the Reference Registry and certain other conditions.

Pursuant to the Investment Agreement, the Issuer will, on the Closing Date, invest the net proceeds of the issue of the Notes (being an amount equal to EUR 688,550,000) in a GIC Arrangement documented under the Investment Agreement and the GIC Guarantee.

The Investment Agreement will permit the withdrawal by the Issuer of the Invested Funds to the extent that the Issuer is required to pay a Cash Settlement Amount due under the Portfolio Credit Swap or any principal amount due on the Notes or to reinvest all or part of the Invested Funds in an Alternative Collateral Arrangement on a Collateral Switch Date. The Investment Agreement will terminate on the earlier of the Legal Maturity Date or the date on which the Notes are redeemed in full.

Pursuant to the terms of the GIC Guarantee, KBC Bank as GIC Guarantor will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the GIC Provider in accordance with the terms of the Investment Agreement.

Pursuant to the Collateral Switch Agreement and subject to the satisfaction of the Collateral Switch Conditions, the Portfolio Swap Counterparty may at any time from time to time after the Closing Date direct the Issuer to terminate any then Applicable Collateral Arrangement and to reinvest the Collateral Principal Proceeds in an Alternative Collateral Arrangement.

On any Collateral Switch Date the Issuer shall, if so instructed by the Portfolio Swap Counterparty and subject to the satisfaction of the Collateral Switch Conditions, terminate the GIC Arrangement (in whole or in part) and apply the Collateral Principal Proceeds received in the purchase of Eligible Investments (denominated in Dollars, Euro and/or Sterling and having an aggregate Market Value at least equal to such Collateral Principal Proceeds) pursuant to a Repo Arrangement and/or by way of investment in one or more TRS Arrangements. Pursuant to the Repurchase Agreement (if any), the Eligible Repo Counterparty will be under an obligation to repurchase the Repo Collateral from time to time and pay periodic Repo Premium to the Issuer. Pursuant to a TRS Arrangement (if any) the Issuer will be entitled to periodic payments of TRS Premium and to TRS Principal Realisations to meet certain obligations of the Issuer.

Portfolio Credit Swap Premium, Collateral Principal Proceeds, Collateral Income Proceeds and Cash Reserve Amounts will, from time to time, be applied, subject to the priority of payments and security provisions as described herein, to meet the Issuer's obligations under the Notes, the Portfolio Credit Swap and the other Transaction Documents.

Parties

Issuer

Regent Street Finance Limited, a public limited company incorporated under the laws of Jersey (registered number 95912) whose registered office is at 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands.

<i>Portfolio Swap Counterparty</i>	KBC Investments Cayman Islands V, Ltd..
<i>Security Trustee</i>	BNY Corporate Trustee Services Limited.
<i>Note Trustee</i>	BNY Corporate Trustee Services Limited.
<i>GIC Provider</i>	KBC Investments Hong Kong Limited.
<i>GIC Guarantor</i>	KBC Bank NV.
<i>Account Bank</i>	The Bank of New York, acting through its principal office in the United Kingdom.
<i>Corporate Services Provider</i>	Bedell Trust Company Limited.
<i>Administrator</i>	KBC Bank NV.
<i>Registrar and Agents</i>	The Bank of New York, acting through its principal office in the United Kingdom, will act as Principal Paying Agent, Agent Bank and Registrar. BNY Fund Services (Ireland) Limited will act as Transfer Agent and Paying Agent in Ireland. The Bank of New York will act as Paying Agent and Transfer Agent in the United States and as the Exchange Rate Agent and KBC Bank NV will act as Expenses Agent.
<i>Calculation Agent</i>	KBC Bank NV.
<i>Independent Verification Agent</i>	Ernst & Young.
<i>Independent Confirmation Agent</i>	The Bank of New York, acting through its principal office in the United Kingdom.

The Notes

Notes The Notes have an aggregate Initial Principal Balance of EUR 688,550,000 and each Class of Notes has the Initial Principal Balance indicated in the table below:

<u>Class</u>	<u>Initial Principal Balance</u>
Class A1 Notes	EUR 93,550,000
Class A2 Notes	EUR 120,000,000
Class B Notes	EUR 112,500,000
Class C Notes	EUR 105,000,000
Class D Notes	EUR 82,500,000
Class E Notes	EUR 67,500,000
Class F Notes	EUR 40,000,000
Class G Notes	EUR 37,500,000
Class H Notes	EUR 30,000,000
<u>Total</u>	EUR 688,550,000

The Notes will be issued on the terms and conditions set forth in, and have the benefit of, the Note Trust Deed and will be secured pursuant to the Security Trust Deed.

Legal Maturity Date The Payment Date scheduled to fall in April, 2040. To the extent not previously paid or reduced, the aggregate Adjusted Principal Balance of, and accrued and unpaid interest on, the Notes will be due and payable on the Legal Maturity Date.

Ratings It is expected that each Class of Notes will receive a rating at the time of issuance at least equivalent to that indicated in the table below by each of Moody's and Fitch:

<u>Class</u>	<u>Moody's</u>	<u>Fitch</u>
Class A1 Notes	Aaa	AAA
Class A2 Notes	Aaa	AAA
Class B Notes	Aa1	AA+

Class C Notes	Aa2	AA
Class D Notes	Aa3	AA-
Class E Notes	A2	A
Class F Notes	A3	A-
Class G Notes	Baa2	BBB
Class H Notes	Ba1	BB+

There can be no guarantee that if any such rating is obtained, that it will be retained at any time at which the Notes remain outstanding.

Status

The Notes of each Class constitute secured, limited recourse obligations of the Issuer which will at all times rank *pari passu* among the other Notes of that Class.

Subordination

Interest Collections and Principal Collections available for distribution to Noteholders on any Payment Date will be separately applied in respect of each Class of Notes sequentially in the following Order of Seniority: first, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class A1 Notes; second, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class A2 Notes; third, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class B Notes; fourth, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class C Notes; fifth, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class D Notes; sixth, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class E Notes; seventh, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class F Notes; eighth, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class G Notes; and ninth, in payment of amounts of principal (in the case of Principal Collections) or interest (in the case of Interest Collections) due in respect of the Class H Notes.

Interest

Interest will accrue on a daily basis at the applicable Rate of Interest on the Adjusted Principal Balance of each Class of Notes from the Closing Date. Interest on each Class of Notes will be paid quarterly in arrear on each Payment Date in an amount, determined by the Agent Bank, to be the product of:

- (a) the Adjusted Principal Balance of such Class of Notes;
- (b) the Rate of Interest applicable to such Class of Notes; and
- (c) the actual number of days in the period beginning on, and including, the preceding Payment Date (or in respect of the first Payment Date, the Closing Date) and ending on, but excluding, such Payment Date, divided by 360.

Such interest will be payable on each Payment Date subject as provided in Condition 7 (*Payments*).

Rate of Interest

Prior to the Termination Date the Rate of Interest applicable in respect of each Class of Notes, will be the rate set out below opposite such Class of Notes:

<u>Class</u>	<u>Rate of Interest</u>
Class A1 Notes	EURIBOR plus 0.400%
Class A2 Notes	EURIBOR plus 0.600%
Class B Notes	EURIBOR plus 0.750%
Class C Notes	EURIBOR plus 0.850%
Class D Notes	EURIBOR plus 1.000%
Class E Notes	EURIBOR plus 1.700%
Class F Notes	EURIBOR plus 2.100%

Class G Notes	EURIBOR plus 3.050%
Class H Notes	EURIBOR plus 5.000%

Provided that if the Swap Termination Option has not been exercised in respect of (or prior to) the Coupon Step-Up Date and the Termination Date has not otherwise occurred, an increased Rate of Interest will, pursuant to Condition 4.2 (*Rate of Interest*), apply in respect of each Class of Notes thereafter.

In any event, the Rate of Interest for each Class of Notes on and after the Termination Date will be EURIBOR flat. EURIBOR will be determined by the Agent Bank for any relevant Interest Period pursuant to the Conditions.

Interest Payment Dates

7 April, 7 July, 7 October and 7 January of each year commencing on, and including, 7 April, 2007 (in each case subject to the Following Business Day Convention as more fully described in the Conditions) to, and including, the Legal Maturity Date.

Adjusted Principal Balance

Amounts of interest and principal payable in respect of any Class of Notes will be determined by reference to the Adjusted Principal Balance of that Class.

As of any date or time of determination, the Adjusted Principal Balance of a Class of Notes will be an amount equal to the Initial Principal Balance of such Class of Notes, minus the aggregate amount of Noteholder Contributions allocated to such Class in reduction of the Adjusted Principal Balance of such Class on or before such date or time, minus the aggregate amount of payments, if any, of principal made (or, for the purposes of determining interest, due and payable) in respect of such Class of Notes on or before such date or time, plus the aggregate amount of Reinstatement Amounts applied to the reinstatement of the Adjusted Principal Balance of such Class made on or before such date or time.

At any time and upon a Redemption Date, the Adjusted Principal Balance of the Notes (or any Class of Notes) may be less than the Initial Principal Balance of the Notes (or such Class).

Noteholder Contributions

On any Payment Date upon which the Issuer is obliged to pay a Cash Settlement Amount to the Portfolio Swap Counterparty and a Noteholder Contribution is applicable to such Cash Settlement Amount, the Adjusted Principal Balance of the Notes will be reduced, in the Reverse Order of Seniority and without any commensurate payment to Noteholders, by the amount of such Noteholder Contribution applicable to such Cash Settlement Amount. Each such reduction of the Adjusted Principal Balance will be made to the Notes in the manner described in the Conditions.

The Noteholder Contribution applicable to a Cash Settlement Amount will be the amount, if any, by which such Cash Settlement Amount exceeds Cash Reserves available for payment of such Cash Settlement Amount.

Reinstatements

If the Adjusted Principal Balance of any Class of Notes has been written down to reflect the Noteholder Contribution, any subsequently received Cash Reserve Amounts will, subject to payment of any Cash Settlement Amounts then due, be applied towards the reinstatement of the Adjusted Principal Balance of such Class of Notes in the Order of Seniority of Class in the manner described in the Conditions.

Scheduled Amortisation Commencement Date The Payment Date scheduled to fall in April, 2017.

Amortised Redemption

On the earlier to occur of (a) the Scheduled Amortisation Commencement Date or (b) the Termination Date and, in either case, on each Payment Date thereafter the Issuer will, subject to any prior ranking claims in accordance with the Order of Priority, separately apply (i) the Collateral Principal Proceeds (realised in accordance with the Collateral Realisation Procedures) in an amount equal to the Distributable Principal Amount and (ii) the Interest Collections available for distribution on that date, in redemption of the Class A1 Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class A2 Notes on a *pro rata* basis until

they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class B Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class C Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class D Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class E Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class F Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class G Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon) and thereafter in redemption of the Class H Notes on a *pro rata* basis until they are fully redeemed (at their Redemption Amount together with any accrued but unpaid interest thereon).

Distributable Principal Amount

On each Redemption Date (other than the Legal Maturity Date) the amount of funds available for the payment of principal of the Notes will be limited to a Distributable Principal Amount equal to the Adjusted Principal Balance of the Notes less the Maximum Noteholder Contribution Liability. The Maximum Noteholder Contribution Liability as at any date is the maximum aggregate amount of Noteholder Contributions potentially applicable to the Cash Settlement Amounts which the Issuer is then liable, or which it remains potentially liable, to pay under the Portfolio Credit Swap.

The Maximum Noteholder Contribution Liability (and thus the Distributable Principal Amount) on any date will be dependent upon the existing payment liabilities of the Issuer under the Portfolio Credit Swap and the maximum payment liabilities that the Issuer could incur if Credit Events occurred with respect to other Reference Entities then included in the Reference Portfolio.

The Maximum Noteholder Contribution Liability will be limited to the aggregate maximum Cash Settlement Amounts which, after taking into account the Global Threshold Amount, the Issuer could be liable to pay and which it would not be able to fund with Cash Reserves. The Maximum Noteholder Contribution Liability may not exceed the Adjusted Principal Balance of the Notes then outstanding (after taking account of any reinstatements of Adjusted Principal Balance to be made to such Notes).

The liabilities of the Issuer under the Portfolio Credit Swap will amortise on and after the earlier to occur of (a) the Scheduled Amortisation Commencement Date and (b) the Termination Date, pursuant to certain mandatory provisions of the Portfolio Credit Swap, the amortisation of the Reference Obligations of ABS Reference Entities or at the option of the Portfolio Swap Counterparty (as the case may be).

Timing of Redemption

The date on which payment of principal of the Notes is scheduled to commence is the Scheduled Amortisation Commencement Date, being the Payment Date scheduled to fall in April, 2017. Payment of principal of the Notes may commence prior to the Scheduled Amortisation Commencement Date as a result of the occurrence of the Tax Redemption Date, the Enforcement Date, the Optional Termination Date or the Early Termination Date (as the case may be).

If the Notes are not redeemed in full at their respective Redemption Amounts together with any accrued but unpaid interest thereon on the Scheduled Amortisation Commencement Date, Principal Collections will be distributed on each Payment Date thereafter, to the extent of the Distributable Principal Amount on such date, until the Notes are redeemed or the Adjusted Principal Balance thereof is otherwise written down to zero. If not previously redeemed, unless the Distributable Principal Amount available for distribution on the Scheduled Termination Date is less than the Adjusted Principal Balance of the Notes, the Notes will be redeemed at their respective Redemption

Amounts together with any accrued but unpaid interest thereon on the Scheduled Termination Date.

If the Notes are not redeemed in full at their respective Redemption Amounts together with any accrued but unpaid interest thereon on or prior to the Scheduled Termination Date, the Rate of Interest for each Class of Notes (which remains outstanding) on that date and thereafter will be EURIBOR flat.

Unless previously redeemed, the Notes will be redeemed at their respective Redemption Amounts together with any accrued but unpaid interest thereon on the Legal Maturity Date.

Optional Termination Date

If the Portfolio Swap Counterparty exercises the Swap Termination Option under the Portfolio Credit Swap the repayment of principal on the Notes (unless previously commenced) will commence (to the extent of the Distributable Principal Amount on such date) on the Payment Date which the Portfolio Swap Counterparty designates as the Optional Termination Date under the Portfolio Credit Swap.

Redemption upon Tax Termination Event

Upon the occurrence of a Tax Termination Event the Issuer may, subject to certain conditions, designate any Payment Date as the Tax Redemption Date on giving not less than 30 nor more than 60 calendar days notice to the Noteholders (which notice will be irrevocable). See Terms and Conditions of the Notes — Condition 5.2 (*Designation of a Tax Redemption Date*).

Early Redemption due to Collateral Acceleration

If under the terms of the document constituting the Applicable Collateral Arrangement a Collateral Acceleration Event occurs in respect of the Applicable Collateral Counterparty and the Collateral Principal Proceeds invested thereunder have not been reinvested in an Alternative Collateral Arrangement, the Note Trustee may, at any time, and will if so directed by an Extraordinary Resolution of the Noteholders of the Controlling Class or in writing by the holders of Notes of the Controlling Class which Notes have in aggregate an Initial Principal Balance equal to or greater than 50 per cent. of the Initial Principal Balance of the Notes of the Controlling Class then outstanding, deliver a Collateral Acceleration Note Redemption Notice to the Issuer declaring the Notes to be immediately due and payable (see Condition 5.3 (*Early Redemption due to Collateral Acceleration*)).

Events of Default

The Events of Default are set out in Condition 9 (*Events of Default*) and include, without limitation, unremedied defaults by the Issuer relating to the payment of principal or interest on the Notes, the Security ceasing to be valid and enforceable, insolvency of the Issuer, the designation of the Early Termination Date (as defined in the Portfolio Credit Swap) in respect of the Portfolio Credit Swap in certain circumstances and the occurrence of the Enforcement Date.

Upon the occurrence of an Event of Default or a Swap Illegality Event, the Note Trustee may at its discretion, and will, if so directed by an Extraordinary Resolution of the Controlling Class or in writing by Noteholders holding 50 per cent. or more of the Initial Principal Balance of the Controlling Class (subject to being indemnified and/or secured to its satisfaction), deliver a Note Default Notice to the Issuer declaring the Notes to be immediately due and payable.

Enforcement

Subject to being indemnified and/or secured to its satisfaction, the Security Trustee will (a) upon receipt by it of a Note Default Notice or a Collateral Acceleration Note Redemption Notice (as the case may be) or (b) following the occurrence of an Enforcement Event only, at its discretion or if so directed by an Instructing Party deliver an Enforcement Notice to the Issuer declaring either that the Security has become enforceable (1) pursuant to and upon the delivery of a Note Default Notice or a Collateral Acceleration Note Redemption Notice (as the case may be) or (2) following the occurrence of an Enforcement Event.

The Notes will become immediately due and payable at their respective Redemption Amounts, together with any accrued but unpaid interest on such Notes on the earlier of (a) the date a Note Default Notice and/or a Collateral Acceleration Note Redemption Notice is deemed to be delivered to the Issuer

and (b) the occurrence of the Enforcement Date.

Taxation of Payments on the Notes

Payments on the Notes will be made without deduction or withholding for or on account of any Taxes unless required by law. In that event the Issuer will, but only if specifically provided with funds by the Portfolio Swap Counterparty for such purpose, pay such additional amounts to holders of the Notes as will ensure that payments on the Notes, after such deduction or withholding on account of such Taxes, will not be less than the amount due and payable in accordance with the Conditions had no such withholding been applicable. Under the Portfolio Credit Swap, the Portfolio Swap Counterparty may, but is not obliged to, pay such additional amounts to the Issuer as will enable the Issuer to pay such additional amounts to the Noteholders. See "*The Portfolio Credit Swap*".

If the Portfolio Swap Counterparty elects not to pay such additional amounts the Issuer will not be required to gross up any payments to the Noteholders and will withhold or deduct from any such payments any amounts on account of tax where so required by law or any relevant taxing authority.

United States Taxation

See "*Taxation of Noteholders – United States Federal Income Tax Considerations*".

Belgian Taxation

See "*Taxation of Noteholders – Belgian Taxation*".

Jersey Taxation

See "*Taxation of Noteholders – Jersey Taxation*".

Conditions

References to the Conditions (or any Condition) are to the terms and conditions of the Notes as set out herein under "*Terms and Conditions of the Notes*" and in the form scheduled to the Note Trust Deed, as those terms and conditions may be modified from time to time in accordance with the Note Trust Deed.

Portfolio Credit Swap

On the Closing Date, the Issuer will enter into the Portfolio Credit Swap with KBC Investments Cayman Islands V, Ltd. as Portfolio Swap Counterparty.

Under the Portfolio Credit Swap the Issuer will sell credit protection to the Portfolio Swap Counterparty in respect of a Reference Portfolio of (a) issuers and obligors of corporate debt and asset backed securities, (b) certain unfunded credit default swap exposures designated by the Portfolio Swap Counterparty in the Reference Registry and (c) issuers and obligors of project finance debt. Subject to the occurrence of one or more Credit Events and certain other conditions, the Issuer may become liable to pay Cash Settlement Amounts to the Portfolio Swap Counterparty.

Reference Registry

The Reference Registry as of the Closing Date will be as set out herein under "*Reference Registry as at the Closing Date*" and will be attached to the Portfolio Credit Swap on the Closing Date.

The Reference Registry was compiled by the Portfolio Swap Counterparty in good faith and in reliance on information selected by it acting in a commercially reasonable manner as of the Registry Compilation Date. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Portfolio Swap Counterparty as to the accuracy or completeness of the information selected by it as of the Registry Compilation Date.

In selecting the Reference Entities and Reference Obligations to be included in the Reference Registry as of the Closing Date, the Portfolio Swap Counterparty did not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but made such selections as it deemed to be in its interests, which selections may be adverse to the interests of the Issuer and/or the Noteholders.

The Portfolio Credit Swap may reference credit exposures which exist both in funded and in unfunded form. Corporate credit exposures referenced in funded form will take the form of Bonds, Loans, Qualifying Guarantees and/or Qualifying Policies, project finance exposures referenced in funded form will take the form of Project Finance Loans or Project Finance Guarantee

Indemnities and asset-backed securities referenced in funded form will take the form of Bonds (other than Bonds which are Excluded Securities). Credit exposures referenced in unfunded (i.e. synthetic) form will take the form of credit default swap transactions and, more specifically, the exposure of a credit protection seller thereunder. Credit exposure in the form of a credit default swap may be likened to the exposure of a holder of a credit-linked note or other asset backed security. Defaults, valuations and actual or potential recoveries in respect of the underlying asset pool of a credit-linked note or an asset backed security may affect the extent of principal losses suffered by a holder thereof. Defaults, valuations and actual or potential recoveries in respect of the underlying reference obligations of a credit default swap transaction may affect the amount of losses for which the seller of credit protection may be required to make cash settlement payments. For the purposes of referencing credit default swap transactions, a nominal entity (each a Proxy ABS Reference Entity) in respect of each such credit default swap will be deemed to exist as the Reference Entity thereof in order that the Reference Portfolio Criteria can be applied to such credit default swap transactions.

The Portfolio Swap Counterparty may, but is not obligated to, designate in the Reference Registry in respect of a Corporate Reference Entity and a Sub-Portfolio which includes such Corporate Reference Entity, that such Corporate Reference Entity and Sub-Portfolio is a Fixed Recovery Exposure and in which case shall specify a Fixed Recovery Percentage in respect of such Corporate Reference Entity and the Sub-Portfolio in which case the Reference Obligation Loss Amount in respect of such Corporate Reference Entity will be determined by reference to the Fixed Recovery Percentage so designated.

Reference Portfolio

Pursuant to the terms of the Portfolio Credit Swap, the Portfolio Swap Counterparty will designate a Reference Portfolio of Reference Entities and will maintain a Reference Registry recording details in respect of each Reference Entity including, without limitation: its name or, in the case of a Proxy ABS Reference Entity, the unique number or reference set out in the confirmation relating to the Eligible Credit Swap Transaction designated as the Proxy ABS Reference Obligation of such Proxy ABS Reference Entity; various entity specific details (including, without limitation, its Fitch Rating (if any), its Moody's Rating (if any), its S&P Rating (if any), its industry group, details of its Affiliates and parent company) as may be required for the purposes of the Moody's Trading Model the country or jurisdiction in which, in the sole determination of the Portfolio Swap Counterparty, each Reference Entity is organised or has its principal place of business; a notional amount for such Reference Entity for the purposes of each Sub-Portfolio of which it forms a part (which in the case of an ABS Reference Entity (other than a Proxy ABS Reference Entity) will be the sum of the ABS Reference Obligation Notional Amounts of the ABS Reference Obligations thereof and which in the case of a PF Reference Entity will be the sum of the PF Reference Obligation Notional Amounts of the PF Reference Obligations thereof); whether such entity is a Corporate Reference Entity, an ABS Reference Entity (and, in the case of an ABS Reference Entity, whether such entity is a Proxy ABS Reference Entity) or a PF Reference Entity; whether No Restructuring, Restructuring, Modified Restructuring or Modified Modified Restructuring applies to such Corporate Reference Entity; in respect of each ABS Reference Entity (other than a Proxy ABS Reference Entity), one or more ABS Reference Obligations thereof; in respect of each ABS Reference Obligation of an ABS Reference Entity, the ABS Reference Obligation Notional Amount in respect of such ABS Reference Obligation; in respect of each PF Reference Entity, one or more PF Reference Obligations thereof; in respect of each PF Reference Obligation of a PF Reference Entity, the PF Reference Obligation Notional Amount in respect of such PF Reference Obligation; whether the Monoline Provisions are to apply to that Reference Entity; and, in respect of each Proxy ABS Reference Entity, the Proxy ABS Reference Obligation Notional Amount thereof.

For the avoidance of doubt (a) a Reference Entity included in the Reference Registry as of the Closing Date does not need to satisfy the Entity Criteria on either the Registry Compilation Date or the Closing Date and (b) the Reference Portfolio as of the Closing Date does not need to satisfy the Reference Portfolio Criteria on either the Registry Compilation Date or the

Closing Date.

The Portfolio Swap Counterparty may make multiple credit protection claims in respect of the Reference Portfolio and, in limited circumstances, in respect of the same Reference Entity under the Portfolio Credit Swap.

Reference Portfolio and Sub-Portfolios

The Reference Portfolio means, collectively, all of the Reference Entities referenced for the purposes of the Portfolio Credit Swap at any time as evidenced by the Reference Registry (as amended from time to time). The Reference Entities which constitute the Reference Portfolio are grouped into the ABS Direct Portfolio, the Corporate Direct Portfolio, the PF Direct Portfolio and ten Inner Tranche Portfolios. Each Direct Portfolio and each Inner Tranche Portfolio constitutes a Sub-Portfolio of the Reference Portfolio. An ABS Reference Entity may be included only in the ABS Direct Portfolio. A Corporate Reference Entity may be included in the Corporate Direct Portfolio and/or one or more of the Inner Tranche Portfolios. A PF Reference Entity may be included only in the PF Direct Portfolio.

Sub-Portfolio Transaction Structure

The separate designation of the Direct Portfolios and each Inner Tranche Portfolio under the Portfolio Credit Swap has an effect similar to the Issuer entering into a separate portfolio credit default swap in respect of each such Sub-Portfolio of Reference Entities.

Corporate Reference Entity Credit Event and (except in the case of Fixed Recovery Exposures which have a fixed loss) loss valuation determinations are made in the same manner in respect of each Sub-Portfolio containing Corporate Reference Entities. ABS Reference Entity Credit Event and loss valuation determinations applicable to ABS Reference Entities (other than Proxy ABS Reference Entities) and Proxy ABS Reference Entity Credit Event and loss valuation determinations applicable to Proxy ABS Reference Entities only will be made in respect of the ABS Direct Portfolio. PF Reference Entity Credit Event and loss valuation determinations applicable to PF Reference Entities will be made in respect of the PF Direct Portfolio.

The Issuer is, however, only obliged to make payments of Cash Settlement Amounts to the Portfolio Swap Counterparty when aggregate attributable losses determined in respect of the Sub-Portfolios exceed the Global Threshold Amount.

Losses determined in respect of an Inner Tranche Portfolio will only be attributable to reduce the subordination protection of the Global Threshold Amount (and may only constitute part of any Cash Settlement Amount) if such losses, when aggregated with previous losses for the same Inner Tranche Portfolio, exceed the Tranche Threshold Amount applicable to that Inner Tranche Portfolio.

Losses determined in respect of a Direct Portfolio will be directly attributable to reduce the subordination protection of the Global Threshold Amount and will, once the aggregate attributable losses determined in respect of such Direct Portfolio, the other Direct Portfolio and/or the other Sub-Portfolios exceed the Global Threshold Amount, constitute part of any Cash Settlement Amount that may become due by the Issuer to the Portfolio Swap Counterparty.

If losses determined in respect of an Inner Tranche Portfolio exceed the Tranche Threshold Amount applicable thereto, the maximum aggregate amount of losses determined in respect of that Inner Tranche Portfolio which may be attributable to erode the Global Threshold Amount (and which may constitute part of any Cash Settlement Amount) will be limited to the Tranche Thickness Amount designated in respect of that Sub-Portfolio.

The notional size of each Sub-Portfolio (in respect of which losses can be determined) is many times larger than the amount which the Issuer could potentially be required to pay as Cash Settlement Amounts and, as a result, the Issuer may be considered to be assuming a leveraged position.

Designation of Sub-Portfolio Notional Sizes

As of the Closing Date, the Portfolio Swap Counterparty will designate in the Reference Registry (a) the Initial ABS Direct Portfolio Size, being

EUR 450,000,000, (b) the Initial Corporate Direct Portfolio Size, being EUR 1,500,000,000, (c) the Initial Direct Portfolios Size, being EUR 1,950,000,000 and (d) for each Inner Tranche Portfolio, the Tranche Thickness Amount thereof, being EUR 105,000,000.

None of the Initial Reference Portfolio Size, the Initial Direct Portfolios Size, the Maximum ABS Direct Portfolio Size, the Maximum Corporate Direct Portfolio Size, the Maximum PF Direct Portfolio Size or the Tranche Thickness Amount designated in respect of an Inner Tranche Portfolio may be increased or decreased.

Replacements during the Replacement Period During the period from, and excluding, the Closing Date until, and including, the Scheduled Amortisation Commencement Date or, if earlier, the Termination Date, the Portfolio Swap Counterparty will have the right, by amending the Reference Registry, to adjust any Sub-Portfolio through (a) the addition, removal or replacement of Reference Entities, (b) the increase or decrease of any Reference Entity Notional Amount and/or Reference Obligation Notional Amount, (c) the addition, removal or replacement of any Benchmark Obligation designated in respect of a Corporate Reference Entity for the purposes of that Sub-Portfolio, (d) the addition, removal or replacement of any Reference Obligation designated in respect of an ABS Reference Entity, (e) the addition, removal or replacement of any Reference Obligation designated in respect of a PF Reference Entity and (f) in the case of an Inner Tranche Portfolio only and **provided that** no positive Credit Protection Valuations have been determined in respect thereof, the increase or decrease of the Tranche Threshold Amount applicable to such Inner Tranche Portfolio, subject to compliance with the Trading Guidelines. The Portfolio Swap Counterparty may not increase or decrease either the number of Inner Tranche Portfolios or the Tranche Thickness Amount designated in respect of any Inner Tranche Portfolio.

In adjusting the Reference Registry by way of making Replacements during the Replacement Period and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders.

Voluntary Removal after the Replacement Period On the Scheduled Amortisation Commencement Date or on any Business Day thereafter, the Portfolio Swap Counterparty will have the right to adjust the Reference Portfolio through the removal of Reference Entities or the decrease of Reference Entity Notional Amounts and/or Reference Obligation Notional Amounts.

A removal will cause a reduction in the Potential Claims Amount which may lead to a reduction in the Maximum Noteholder Contribution Liability and a repayment of principal on the Notes. The Portfolio Swap Counterparty will promptly update the Reference Registry upon any Removal and provide a copy thereof to the Issuer, the Administrator, the Independent Confirmation Agent, each Rating Agency and the Calculation Agent. The Issuer will, via the Administrator, make such documentation available to Noteholders upon request.

Mandatory Removal following Credit Event Except in the case of a Partial Settlement or, an ABS Partial Settlement and other than in respect of a Partial Principal Loss Claim (in which case such removal will only apply to the settled portion thereof), any Reference Entity in relation to which the Conditions to Settlement have been satisfied in respect thereof and a Sub-Portfolio will, unless previously removed from the relevant Sub-Portfolio (which removal will not constitute a Replacement) upon the Cash Settlement Date relating thereto, be removed from the relevant Sub-Portfolio and, thereafter, that entity will not be eligible for inclusion in the Reference Portfolio by way of Replacement unless such entity subsequently satisfies the Entity Criteria.

For the avoidance of doubt, where such Reference Entity in relation to which a Credit Event has occurred is comprised in any other Sub-Portfolio and the Conditions to Settlement have not been satisfied in respect of it and such Sub-Portfolio, such Reference Entity will not be removed from such other Sub-

Portfolio.

Mandatory Amortisation of Reference Portfolio

Without prejudice to the provisions in relation to Mandatory Removal, on the Scheduled Amortisation Commencement Date all Reference Entities other than: (a) any ABS Reference Entity; (b) any Defaulted Corporate Reference Entity; and (c) any PF Reference Entity will be removed from the Reference Portfolio.

On the Termination Date all Reference Entities other than: (a) any Defaulted Reference Entity; and (b) any ABS Reference Entity in respect of which a Potential Failure to Pay has occurred and the Conditions to Settlement remain capable of being satisfied, will be removed from the Reference Portfolio.

Credit Events

Following the occurrence of a Credit Event with respect to a Reference Entity (or with respect to one or more of its Obligations) the Portfolio Swap Counterparty may elect to deliver a Credit Event Notice in respect of that Reference Entity and one or more of the Sub-Portfolios which include it. The Portfolio Swap Counterparty may deliver multiple Credit Event Notices in respect of the Reference Portfolio, any Sub-Portfolio, any Reference Entity for the purposes of separate Sub-Portfolios and, in the case of a Partial Settlement, in respect of the same Reference Entity within the same Sub-Portfolio.

A Credit Event with respect to an ABS Reference Entity (other than a Proxy ABS Reference Entity) means the occurrence of any of the following events: ABS Failure to Pay; ABS Deferment Event; ABS Permanent Reduction of Principal; ABS Bankruptcy and ABS Ratings Downgrade Event.

A Credit Event with respect to a Proxy ABS Reference Entity and the Proxy ABS Reference Obligation thereof, means the occurrence of a Proxy ABS Loss Event only.

A Credit Event with respect to a Corporate Reference Entity means the occurrence of any of the following events: Bankruptcy; Failure to Pay and Restructuring and, with respect to an Emerging Market Reference Entity, Obligation Acceleration.

For the avoidance of doubt (a) if Restructuring is specified in the Reference Registry not to be applicable to such Corporate Reference Entity, Restructuring of such Corporate Reference Entity or the relevant Obligation(s) thereof will not constitute a Credit Event and (b) Obligation Acceleration shall not apply to any Corporate Reference Entity that is not an Emerging Market Reference Entity.

A Credit Event with respect to a PF Reference Entity means the occurrence of any of the following events: PF Failure to Pay; PF Bankruptcy; PF Obligation Acceleration; and PF Restructuring.

Calculation Agent

KBC Bank NV will act as the Calculation Agent under the Portfolio Credit Swap pursuant to the terms of the Swap Agency Agreement.

Valuation of Credit Protection Claims

Other than in the case of a Partial Principal Loss Claim or a claim in respect of a Fixed Recovery Exposure, on the Valuation Date the Calculation Agent will commence a valuation process as specified in the Portfolio Credit Swap and attempt to obtain a market rate value for each Reference Obligation designated in respect of a Reference Entity for the purposes of each Sub-Portfolio in respect of which the Conditions to Settlement have been satisfied. Partial Principal Loss Claims and claim in respect of Fixed Recovery Exposures relate, by their nature, to definitive sums and a separate market valuation process is not required. In the case of a Partial Principal Loss Claim based on an ABS Permanent Reduction of Principal Credit Event, the relevant Credit Protection Valuation will be determined by reference to the amount of principal reductions of the relevant ABS Reference Obligation. In the case of a Partial Principal Loss Claim based on a Proxy ABS Loss Event, the relevant Proxy ABS Loss Event Settlement Amount will have been determined under the settlement procedures applicable to the relevant Eligible Credit Swap Transaction and the Reference Obligation Loss Amount shall be the lesser of the Proxy ABS Loss Event Settlement Amount and the Proxy ABS Reference

Obligation Notional Amount of such Proxy ABS Reference Obligation. In the case of a claim in respect of a Fixed Recovery Exposure, the relevant Credit Protection Valuation will be determined by reference to the Fixed Recovery Percentage of the relevant Corporate Reference Entity and Sub-Portfolio.

In the case of a PF Reference Entity and a Sub-Portfolio, if at any time prior to obtaining the market rate value (or a fallback appraised value) of any PF Reference Obligation designated in respect of such PF Reference Entity, the PF Work-Out Process in respect of such PF Reference Obligation is completed, the Credit Protection Valuation will be determined by reference to the actual recoveries received by the PF Lender with respect to such PF Reference Obligation.

If, however, a market rate value cannot be obtained in accordance with the procedure specified in the Portfolio Credit Swap and the PF Work-Out Process is not so completed prior to the final Follow-Up Valuation Date, the Credit Protection Valuation will be determined by reference to the determination of future expected recoveries in respect of the relevant PF Reference Obligation as determined by independent third party experts appointed by the Calculation Agent under the Portfolio Credit Swap (unless, prior to such appraised value being determined the Work-Out Process is completed, in which case the actual recoveries will be used to determine the Final Price).

Credit Protection Valuations are the basis upon which any obligation of the Issuer to pay Cash Settlement Amounts will be calculated. For each Reference Entity and Sub-Portfolio in relation to which a Credit Event has occurred and the Conditions to Settlement are satisfied, the Calculation Agent will determine a Credit Protection Valuation.

If a Corporate Reference Entity and a Sub-Portfolio is designated as a Fixed Recovery Exposure, the Reference Obligation Loss Amount and thus the Credit Protection Valuation in respect of each Reference Obligation of such Corporate Reference Entity and the relevant Sub-Portfolio will not be determined by reference to the market valuations described above in respect of such Reference Obligations but will instead be determined by reference to the Fixed Recovery Percentage specified in respect of such Corporate Reference Entity and Sub-Portfolio.

A separate Credit Protection Valuation will be determined in respect of a Reference Entity for the purposes of each Sub-Portfolio which includes it (**provided that** the Conditions to Settlement are satisfied with respect to that Reference Entity and that Sub-Portfolio) by reference to the Aggregate Reference Obligation Loss Amount determined in respect of that Reference Entity for the purposes of the relevant Sub-Portfolio and, in the case of an Inner Tranche Reference Entity, the sum of the Aggregate Reference Obligation Loss Amounts determined in respect of other Reference Entities in the same Sub-Portfolio.

Reference Obligation Loss Amounts

Aggregate Reference Obligation Loss Amounts are the basis upon which the Calculation Agent will determine Credit Protection Valuations.

In respect of the Corporate Direct Portfolio and the Inner Tranche Portfolios and a Corporate Reference Entity for which the Conditions to Settlement are satisfied, a Reference Obligation Loss Amount will be determined for each Corporate Reference Obligation designated in respect of such Corporate Reference Entity for the purposes of such Sub-Portfolio by reference to the Reference Obligation Notional Amount of each such Corporate Reference Obligation (for the purposes of such Sub-Portfolio) and (other than in the case of a Fixed Recovery Exposure in respect of which no market valuation of loss is required) to the Final Price Valuations obtained in respect of each such Corporate Reference Obligation in accordance with market valuation procedures described herein.

With respect to a Corporate Reference Entity and a Sub-Portfolio that has been designated as a Fixed Recovery Exposure, the Reference Obligation Loss Amount and the Credit Protection Valuation in respect thereof will be determined by reference to the Fixed Recovery Percentage designated by the

Portfolio Swap Counterparty for each Corporate Reference Obligation designated in respect of such Corporate Reference Entity for the purposes of such Sub-Portfolio and by reference to the Reference Obligation Notional Amount of each such Corporate Reference Obligation (for the purposes of such Sub-Portfolio).

In respect of the ABS Direct Portfolio and an ABS Reference Entity for which the Conditions to Settlement are satisfied (other than in the case of a Partial Principal Loss Claim) a Reference Obligation Loss Amount will be determined for each ABS Reference Obligation designated in respect of such ABS Reference Entity for the purposes of such Sub-Portfolio, by reference to a calculation set out under "*The Portfolio Credit Swap – Credit Protection Valuations and Tranche Threshold Amounts*". If a Partial Principal Loss Claim based on an ABS Permanent Reduction of Principal is made in respect of an ABS Reference Entity, the Reference Obligation Loss Amount will be the Principal Writedown Amount relating thereto. If a Partial Principal Loss Claim based on a Proxy ABS Loss Event is made in respect of a Proxy ABS Reference Entity, the Reference Obligation Loss Amount shall be the lesser of the Proxy ABS Loss Event Settlement Amount and the Proxy ABS Reference Obligation Notional Amount of such Proxy ABS Reference Obligation.

In respect of the PF Direct Portfolio and a PF Reference Entity for which the Conditions to Settlement are satisfied, a Reference Obligation Loss Amount will be determined for each PF Reference Obligation designated in respect of such PF Reference Entity for the purposes of such Sub-Portfolio, by reference to a market valuation procedure, appraised value assessment or actual recoveries determination referred to in "*Valuation of Credit Protection Claims*" above and further described under "*The Portfolio Credit Swap – Credit Protection Valuations and Tranche Threshold Amounts*".

Reference Obligations

If a Credit Event occurs with respect to a Corporate Reference Entity and the Conditions to Settlement are satisfied in respect of such Corporate Reference Entity and one or more Sub-Portfolios then, for the purposes of each such Sub-Portfolio, one or more Corporate Reference Obligations, which may be any of Bonds, Loans, Qualifying Guarantees and/or Qualifying Policies of such Reference Entity will, subject to certain other selection criteria, be designated by the Portfolio Swap Counterparty on or before the relevant Valuation Date. If a Corporate Reference Entity is included in more than one Sub-Portfolio the Portfolio Swap Counterparty is not obliged to select the same Corporate Reference Obligation(s) for each such Corporate Reference Entity.

In the case of ABS Reference Entities (other than Proxy ABS Reference Entities), ABS Reference Obligations will be one or more Bonds (other than Bonds which are Excluded Securities) designated by the Portfolio Swap Counterparty in the Reference Registry.

In the case of a Proxy ABS Reference Entity, the Proxy ABS Reference Obligation thereof will be the single Eligible Credit Swap Transaction designated as the Proxy ABS Reference Obligation of such Proxy ABS Reference Entity by the Portfolio Swap Counterparty in the Reference Registry.

In the case of PF Reference Entities, PF Reference Obligations will be one or more Project Finance Loans or Project Finance Guarantee Indemnities designated by the Portfolio Swap Counterparty in the Reference Registry.

Tranche Threshold Amounts

A positive Credit Protection Valuation will only be determined in respect of a Corporate Reference Entity and an Inner Tranche Portfolio if the sum of the Aggregate Reference Obligation Loss Amount of that Corporate Reference Entity (for the purposes of that Sub-Portfolio) and each Aggregate Reference Obligations Loss Amount previously determined and verified in respect of any other Corporate Reference Entity for the purposes of the same Sub-Portfolio exceeds the Tranche Threshold Amount for that Sub-Portfolio. The Credit Protection Valuation applicable to a Corporate Reference Entity for the purpose of an Inner Tranche Portfolio will be zero if the sum of the Aggregate Reference Obligation Loss Amounts of that Corporate Reference Entity (for

the purposes of that Sub-Portfolio) and the Aggregate Reference Obligation Loss Amounts previously determined and verified in respect of each other Corporate Reference Entity in the same Sub-Portfolio (and for the purposes of that Sub-Portfolio) does not exceed the Tranche Threshold Amount for that Sub-Portfolio.

The Tranche Threshold Amount for each Inner Tranche Portfolio will be specified in the Reference Registry and may be varied from time to time in accordance with the provisions relating to a Replacement. No Tranche Threshold Amount is applicable with respect to the ABS Direct Portfolio, the Corporate Direct Portfolio and the PF Direct Portfolio.

Global Threshold Amount

Unless and until Aggregate Credit Protection Valuations exceed the Global Threshold Amount, no Cash Settlement Amounts will be payable by the Issuer under the Portfolio Credit Swap.

Verification

Upon determination of a Credit Protection Valuation under the Portfolio Credit Swap the Calculation Agent will submit details of its calculations and, if available and relevant, evidence of the market Quotations (and/or in respect of PF Reference Obligations, appraised loss valuations and actual recoveries determinations) received in respect of such Credit Protection Valuation to the Independent Verification Agent. The Independent Verification Agent will be required to produce a Calculation Verification Report verifying, to the extent such matters can be objectively verified and on the basis of information supplied by the Calculation Agent, the Portfolio Swap Counterparty or otherwise, the calculation of the Credit Protection Valuation and that the relevant Reference Entity was properly included in the Reference Portfolio at the time of the relevant Credit Event.

Cash Settlement Amounts

Subject to certain Conditions to Settlement, if Aggregate Credit Protection Valuations determined and verified in respect of the Reference Portfolio exceed the Global Threshold Amount, the Issuer (as the seller of credit protection under the Portfolio Credit Swap) will become liable to make payment of one or more Cash Settlement Amounts to the Portfolio Swap Counterparty. Credit Protection Valuations will only be determined in respect of credit protection claims for which the Conditions to Settlement are satisfied.

Reporting

During each Interest Period commencing on or prior to the earlier of the Scheduled Amortisation Commencement Date and the Termination Date, the Portfolio Swap Counterparty will procure that the Independent Confirmation Agent prepares a Quarterly Reference Registry Confirmation Report.

Term of credit protection

The Issuer provides credit protection only with respect to Credit Events which occur on or after the Closing Date and on or before the Termination Date; **Provided that** if a Potential Failure to Pay occurs with respect to an ABS Reference Obligation of an ABS Reference Entity prior to the Termination Date, a credit protection claim may be made in respect of an ABS Failure to Pay with respect to that ABS Reference Entity which occurs on or before the Grace Period Extension Date.

Swap Termination Option

The Portfolio Swap Counterparty may, but is not obliged to, designate, by not less than 5 nor more than 60 Business Days written notice to the Issuer, the Payment Date scheduled to fall in April, 2012 or any Payment Date falling thereafter as the Optional Termination Date under the Portfolio Credit Swap.

Portfolio Credit Swap Premium

As the buyer of credit protection under the Portfolio Credit Swap, the Portfolio Swap Counterparty will make periodic payments under the Portfolio Credit Swap of Portfolio Credit Swap Premium to the Issuer.

Cash Reserve Amounts

The Portfolio Swap Counterparty will also be liable to make payments of Cash Reserve Amounts to the Issuer on each Payment Date falling prior to the earlier of the Payment Date scheduled to fall in April, 2012 and the Termination Date. Cash Reserve Amounts will be deposited in the Cash Reserve Account.

Subordinated Portfolio Performance Fee

On the Payment Date scheduled to fall in April, 2012 and on each Payment Date thereafter, the Portfolio Swap Counterparty will, subject to, while any

Note remains outstanding, satisfaction of the Collateral Quality Test and the availability of Cash Reserves, be entitled to receive payment of a Subordinated Portfolio Performance Fee from the Issuer.

Investment Agreement

Invested Funds

Pursuant to the Investment Agreement, the Issuer will, on the Closing Date, invest the net proceeds of the issue of the Notes (being an amount equal to EUR 688,550,000) in a GIC Arrangement documented under the Investment Agreement and the GIC Guarantee.

Subject to permitted repayments which may be made as described below and which may result in all of the Invested Funds being repaid, the Investment Agreement will terminate on the earlier of the Legal Maturity Date or the date on which the Notes are redeemed in full.

Permitted Repayments

The Investment Agreement will permit the repayment to the Issuer of the Invested Funds to the extent that the Issuer is required to pay a Cash Settlement Amount due under the Portfolio Credit Swap or any principal amount due on the Notes or to reinvest all or part of the Invested Funds in an Alternative Collateral Arrangement on a Collateral Switch Date.

Interest Payments

Pursuant to the Investment Agreement, the GIC Provider will pay to the Issuer, on each Payment Date, interest, which will accrue on a daily basis on the balance of the Invested Funds at the GIC Interest Rate.

GIC Interest Rate

EURIBOR.

GIC Guarantee

Pursuant to the terms of the GIC Guarantee, KBC Bank as GIC Guarantor will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the GIC Provider in accordance with the terms of the Investment Agreement.

Collateral Switch Agreement

Pursuant to the Collateral Switch Agreement, on any Collateral Switch Date the Issuer shall, if so instructed by the Portfolio Swap Counterparty and subject to the satisfaction of the Collateral Switch Conditions, terminate the GIC Arrangement (in whole or in part) and apply the Collateral Principal Proceeds received in the purchase of Eligible Investments (denominated in Dollars, Euro and/or Sterling and having an aggregate Market Value at least equal to such Collateral Principal Proceeds) pursuant to a Repo Arrangement and/or by way of investment in one or more TRS Arrangements.

In exercising its rights under the Collateral Switch Agreement, the Portfolio Swap Counterparty will not act as an adviser, manager, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Collateral Switch Agreement and which it deems to be in its interests.

The Collateral Switch Agreement also provides that the Portfolio Swap Counterparty may, from time to time, and subject to satisfaction of the Collateral Switch Conditions, instruct the Issuer to terminate the then Applicable Collateral Arrangement and reinvest the Collateral Principal Proceeds in an Alternative Collateral Arrangement.

Approved Form Repurchase Agreement

If the Collateral Principal Proceeds are to be invested in a Repo Arrangement, the repurchase agreement and the custody agreement are each required to be in the Approved Form.

The summaries of the Repurchase Agreement in the Approved Form, the Custody Agreement in the Approved Form and the Repo Guarantee below shall only apply if, and to the extent that, at such time the Applicable Collateral Arrangement is or includes a Repo Arrangement.

Repo Collateral

The Repo Collateral (if any) will be comprised of all Eligible Investments (denominated in Dollars, Euro and/or Sterling) purchased by the Issuer from the Eligible Repo Counterparty or delivered by the Eligible Repo Counterparty to the Issuer by way of margin or substitution or, if applicable, the cash proceeds thereof or cash amounts delivered by way of margin and which, at

such time, have not been repurchased by or redelivered to the Eligible Repo Counterparty pursuant to the Repurchase Agreement. Any cash margin delivered shall be in Euro.

Substitutions

The Repurchase Agreement will permit the Eligible Repo Counterparty to deliver to the Eligible Custodian, on any Business Day, for deposit into the Custody Account, alternative Eligible Investments in substitution or exchange for existing Repo Collateral subject to the Repurchase Agreement, **provided that** such substitution or exchange does not result in the creation or increase of a Collateral Value Deficiency.

Issuer Payments and Repurchase of Eligible Investments

On any Payment Date, to the extent the Issuer is required to pay any principal amount due on the Notes and/or a Noteholder Contribution is applicable as part of any Cash Settlement Amount due under the Portfolio Credit Swap, it will, in accordance with the Collateral Realisation Procedures, sell Repo Collateral to the Eligible Repo Counterparty to the extent necessary to realise the funds required to make such payment. Accordingly, on each such Payment Date the Eligible Repo Counterparty may be required to repurchase Eligible Investments in exchange for a Euro cash amount equal to the Issuer Payment then due and the Initial Transaction will be adjusted in the manner described in "*The Approved Form Repurchase Agreement and the Approved Form Custody Agreement - Issuer Payments and repurchase of Equivalent Securities*".

Repo Premium

Pursuant to the Repurchase Agreement, the Eligible Repo Counterparty will pay to the Issuer, on each Payment Date, the Repo Premium which will accrue on a daily basis on the Purchase Price of the Repo Collateral and which will be determined as described in "*The Approved Form Repurchase Agreement and the Approved Form Custody Agreement - Repo Premium*".

Income on Eligible Investments

The Eligible Custodian, on behalf of the Issuer, will, subject to the provisions of the Repurchase Agreement and the Custody Agreement, pay directly to the Eligible Repo Counterparty all Income received by the Eligible Custodian (on behalf of the Issuer) in respect of the Repo Collateral (if any). Any Income so applied will be released from the Security and will no longer form part of the Charged Assets. Pursuant to the terms of the Repurchase Agreement and the Custody Agreement, if and to the extent that a payment of Income would result in a Collateral Value Deficiency or would increase any Collateral Value Deficiency, the Eligible Custodian will pay any Income received by it into a Repo Collections Account denominated in the relevant currency. Pursuant to the Conditions, the Issuer will apply, or cause to be applied, amounts standing to the credit of the relevant Repo Collections Accounts to pay to the Eligible Repo Counterparty any Income then constituting Repo Collateral (if any), **provided that** the Issuer shall not make any payment or transfer of Income to the Eligible Repo Counterparty if and to the extent that such payment would result in a Collateral Value Deficiency or would increase any Collateral Value Deficiency.

Daily Mark to Market

To collateralise its obligation to pay the Outstanding Repurchase Price, the Eligible Repo Counterparty may be obliged to deliver additional Eligible Investments and/or Euro cash margin amounts to the Issuer from time to time. Any additional Eligible Investments so delivered to the Eligible Custodian and/or Euro cash margin amounts delivered to the Account Bank will constitute additional Repo Collateral. The aggregate Market Value of the Repo Collateral will be determined by the Eligible Custodian on each Business Day. See "*The Approved Form Repurchase Agreement and the Approved Form Custody Agreement – Daily Mark to Market*".

Approved Form Custody Agreement

The Issuer will also be required to enter into a Custody Agreement in the Approved Form with an Eligible Custodian pursuant to which the Eligible Custodian will hold the Repo Collateral (if any) in the form of Eligible Investments in separate designated custody securities accounts in the name of the Issuer. The Eligible Custodian will cause such holdings on behalf of the Issuer to be reflected in its own records and the relevant Repo Collateral Clearing System, as appropriate. Repo Collateral in the form of (i) Euro cash will be held in a Euro Repo Cash Account, (ii) Dollar cash will be held in a Dollar Repo Substitutions Account, and (iii) Sterling cash will be held in a Sterling Repo Substitutions Account, each to be maintained with the Account

Bank.

Repo Guarantee

Pursuant to the terms of the Repo Guarantee, KBC Bank as Repo Guarantor will guarantee to the Issuer the prompt payment when due of all amounts that may from time to time owing to the Issuer by the Eligible Repo Counterparty in accordance with the terms of the Repurchase Agreement.

TRS Arrangement

Pursuant to the Collateral Switch Agreement, the Portfolio Swap Counterparty may, subject to the satisfaction of the Collateral Switch Conditions, instruct the Issuer to invest the Collateral Principal Proceeds in one or more TRS Arrangements. A TRS Arrangement may involve the Issuer applying funds denominated in Euro to acquire debt securities (subject to such debt securities satisfying certain criteria stipulated by the Rating Agencies) and the entering into of a total return swap agreement with an Eligible TRS Counterparty pursuant to which (i) the Eligible TRS Counterparty makes periodic payments of premium to the Issuer and (ii) the Issuer makes periodic payments to such Eligible TRS Counterparty determined by reference to the income received by the Issuer on such debt securities during such period. The TRS Arrangement will also include terms (which may be in the total return swap agreement or any debt securities purchase agreement) for the debt securities to be repurchased or otherwise realised in such a manner as to ensure that an amount equal to the original purchase price of such debt securities is received by the Issuer upon demand by the Issuer if, pursuant to the Collateral Realisation Procedures, the Issuer requires funds to make payment of any principal amount due on the Notes and/or any Cash Settlement Amount due under the Portfolio Credit Swap and/or for the purposes of a reinvestment in an Alternative Collateral Arrangement.

Cash Administration

The Accounts

All payments of (a) Portfolio Credit Swap Premium and Collateral Income Proceeds will, upon receipt, be deposited into the Interest Collections Account, (b) Collateral Principal Proceeds will, upon receipt, be deposited in the Principal Collections Account, (c) Repo Collateral (if any) and Income denominated in Euro, including Euro cash margin, will, upon receipt, be deposited into a Euro Repo Cash Account, (d) Repo Collateral (if any) and Income denominated in Dollars will, upon receipt, be deposited into a Dollar Repo Substitutions Account, (e) Repo Collateral (if any) and Income denominated in Sterling will, upon receipt, be deposited into a Sterling Repo Substitutions Account, and (f) Cash Reserve Amounts will, upon receipt, be deposited in the Cash Reserve Account, each account as established and maintained in the name of the Issuer at the Account Bank.

Collateral Principal Proceeds

In respect of any principal amount due on the Notes and/or any Cash Settlement Amount due under the Portfolio Credit Swap, the funds available to and/or realised or withdrawn by the Issuer for the payment thereof in accordance with the Collateral Realisation Procedures and in any other respect, the net proceeds of the Notes or any investment of the Issuer derived therefrom.

Collateral Income Proceeds

GIC Interest (together with any amounts in respect of GIC Interest paid by the GIC Guarantor pursuant to the GIC Guarantee), Repo Premium (if any), TRS Premium (if any) and interest earned on the Principal Collections Account and the Interest Collections Account and paid to the Issuer from time to time.

Application of Funds

Interest Collections. For the allocation of Interest Collections on each Payment Date see "*Security and Cash Administration - Application of Funds - Interest Collections*".

Principal Collections. For the allocation of Principal Collections on each Payment Date see "*Security and Cash Administration - Application of Funds - Principal Collections*".

Cash Reserves. For the allocation of Cash Reserves on each Payment Date see "*Security and Cash Administration - Application of Funds - Cash Reserves*".

Security

Security Documents

The Security Trust Deed and any other security document purporting to create security entered into from time to time by the Issuer in favour of the Security Trustee for the benefit of the Secured Parties.

Secured Parties

The Noteholders, the Portfolio Swap Counterparty, the GIC Provider, any other Applicable Collateral Counterparty, any Eligible Custodian, the Account Bank, the Administrator, the Agents, the Swap Agents, the Independent Verification Agent, the Note Trustee, the Security Trustee and any Receiver.

Charged Assets

Pursuant to the Security Trust Deed, the Issuer will grant to the Security Trustee, among other things, an assignment by way of first fixed security of the Issuer's rights in and to the credit balance from time to time of each of the Issuer's Accounts and an assignment of the rights of the Issuer in respect of certain Transaction Documents.

After the Enforcement Date, the proceeds of the Charged Assets will be allocated and applied separately by the Security Trustee in the Enforcement Order of Priority. See "*Security and Cash Administration — Enforcement Order of Priority*".

Limited Recourse

The Notes will each be limited recourse obligations of the Issuer. All payments of principal and interest to be made by the Issuer under the Notes and all payments to be made by the Issuer under the other Transaction Documents will be payable only from the sums paid to, or net proceeds recovered by or on behalf of, the Issuer or the Security Trustee in respect of the Charged Assets and in accordance with the priority of application specified in Clause 8 (*Application of Moneys*) of the Security Trust Deed and there will be no other assets of the Issuer available for any further payments. The Security Trustee and the other Secured Parties will be entitled to look solely to such sums and proceeds and the rights of the Issuer in respect of the Charged Assets for payments to be made by the Issuer. Having enforced the Security and distributed the net proceeds thereof in accordance with the terms of the Security Trust Deed, neither the Security Trustee nor any other Secured Party may take any further steps against the Issuer to recover any unpaid sum and the Issuer's liability for any such sum will be extinguished.

Business Day

Any TARGET Settlement Day on which commercial banks and foreign exchange markets are generally open to settle payments in London, Brussels, New York and Dublin.

Transaction Documents

The Account Bank Agreement, the Administration and Cash Management Agreement, the Agency Agreement, the Collateral Switch Agreement, the Corporate Services Agreement, any Custody Agreement, each document constituting a GIC Arrangement (if any), the GIC Guarantee, the Investment Agreement, the Note Trust Deed (including the Notes constituted thereby), the Portfolio Credit Swap, any Repo Guarantee, any document constituting a Repo Arrangement, the Security Trust Deed, any other Security Document, the Subscription Agreement, the Swap Agency Agreement and any document constituting a TRS Arrangement. Particulars of the dates of, parties to and general nature of each Transaction Document are set out in various sections of this Prospectus.

Use of Proceeds

Pursuant to the Investment Agreement, the Issuer will, on the Closing Date invest the net proceeds of the issue of the Notes (being an amount equal to EUR 688,550,000) in a GIC Arrangement documented under the Investment Agreement.

Collateral Principal Proceeds will be used to pay, amongst other things, Cash Settlement Amounts which the Issuer may become obliged to pay from time to time pursuant to the Portfolio Credit Swap.

See "*Security and Cash Administration — Enforcement Order of Priority*". The estimated total expenses related to the admission of Notes to the Official List of the Irish Stock Exchange and trading on its regulated market is EUR 20,000.

Form, Registration and Transfer of the Notes

Each Class of Notes initially sold in the United States to qualified institutional buyers in reliance on Rule 144A who are also "qualified purchasers" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) will be represented by a Rule 144A Note Certificate in fully registered form without interest coupons.

Each Class of Notes initially sold to non-U.S. persons outside the United States in reliance on Regulation S will be represented by a Global Reg S Note Certificate in fully registered form without interest coupons.

Save in certain limited circumstances, Definitive Note Certificates in certificated, fully registered form will not be issued in exchange for beneficial interests in Notes represented by the Global Note Certificates. See "*Description of the Notes – Issue of Notes in Definitive Form*".

Each Global Rule 144A Note is expected to be registered in the name of the nominee of DTC and will be deposited on or about the Closing Date with The Bank of New York, as the DTC Custodian.

Each Global Reg S Note is expected to be deposited with, and registered in the name of, or a nominee of, The Bank of New York, as Common Depository for Euroclear and Clearstream, Luxembourg on or about the Closing Date.

The Notes may not be offered, sold or transferred at any time to a U.S. person or a person in the United States unless such person is both a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) and a "qualified purchaser" within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder. Sales or other transfers of the Notes which would require the Issuer to register as an "investment company" under the 1940 Act will be void and will not be honoured by the Issuer and the Issuer may, in its discretion, compel any such holder to transfer such Notes in a commercially reasonable sale to a person that is a qualified institutional buyer and a "qualified purchaser" meeting the requirements set forth therein and in the 1940 Act or to a non-U.S. person outside the United States and, if the holder does not comply with such demand within 30 calendar days thereof, the Issuer may sell such holder's interest in such Notes. See "*Restrictions on Purchase and Transfer of Notes*".

While Notes are represented by a Global Note Certificate, each payment on those Notes will be made via the Paying Agents to the relevant registered Holder (or its nominee). After receipt of such a payment, it is expected that such Holder should credit the relevant participants' accounts in the relevant Clearing System in proportion to those participants' holdings as shown on the records of that Clearing System, in accordance with that Clearing System's rules and procedures.

For so long as any Notes are represented by a Global Note Certificate and registered in the name of a Holder (or its nominee), interests in such Notes may only be held through and will be transferable in accordance with the records maintained by and the rules and procedures for the time being of the relevant Clearing System. Transfers of interests in Notes represented by the Global Note Certificates are subject to certain restrictions described herein.

Holders of beneficial interests in non-dollar denominated Rule 144A Notes represented by a Global Rule 144A Note who hold such interests directly with DTC or through its participants and who wish payments to be made to them in a non-dollar currency outside DTC must give advance notice thereof to DTC in accordance with the rules and procedures of DTC prior to any relevant Interest Payment Date. If such instructions are not given, non-dollar denominated payments on such Rule 144A Notes will be exchanged for U.S. dollars by the Exchange Rate Agent prior to their receipt by DTC and the affected holders will receive U.S. dollars on the Interest Payment Date net of any costs of conversion. See "*Description of the Notes – The Exchange Rate Agent and Currency of Payments*".

Governing Law

The Notes, the Note Trust Deed, the Security Trust Deed, the Account Bank Agreement, the Agency Agreement, the Swap Agency Agreement, the

Administration and Cash Management Agreement, the Investment Agreement, any Repurchase Agreement, the GIC Guarantee, any Repo Guarantee, any Custody Agreement, the Collateral Switch Agreement, the Subscription Agreement and the Portfolio Credit Swap will be governed by English law and each party thereto will, for the benefit of the Security Trustee, submit to the exclusive jurisdiction of the English courts for all purposes in connection with such agreements.

The Issuer will appoint Bedell Trust UK Limited in England to accept service of process on its behalf in connection with such agreements. The Corporate Services Agreement will be governed by Jersey law.

Listing

Application has been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange.

Closing Date

28 February, 2007.

RISK FACTORS

The following is a summary of certain aspects of the Notes and the Issuer and its business about which prospective investors should be aware. Prior to investing in the Notes, prospective investors should consider carefully the following risks, in addition to the matters set forth elsewhere in this Prospectus. This summary is not intended to be exhaustive and prospective investors should make their own independent evaluations of all risk factors.

Transaction Overview

Concurrently with the issuance of the Notes, the Issuer will, on the Closing Date, enter into the Portfolio Credit Swap. Pursuant to the terms of the Portfolio Credit Swap, in return for periodic payments of Portfolio Credit Swap Premium and Cash Reserve Amounts, the Issuer will be liable to pay Cash Settlement Amounts to the Portfolio Swap Counterparty, subject to the occurrence of one or more Credit Events with respect to Reference Entities identified in the Reference Registry and certain other conditions.

Pursuant to the Investment Agreement, the Issuer will, on the Closing Date, invest the net proceeds of the issue of the Notes (being an amount equal to EUR 688,550,000) in a GIC Arrangement documented under the Investment Agreement and the GIC Guarantee.

The Investment Agreement will permit the withdrawal by the Issuer of the Invested Funds to the extent that the Issuer is required to pay a Cash Settlement Amount due under the Portfolio Credit Swap or any principal amount due on the Notes or to reinvest all or part of the Invested Funds in an Alternative Collateral Arrangement on a Collateral Switch Date. The Investment Agreement will terminate on the earlier of the Legal Maturity Date or the date on which the Notes are redeemed in full.

Pursuant to the terms of the GIC Guarantee, KBC Bank as GIC Guarantor will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the GIC Provider in accordance with the terms of the Investment Agreement.

Pursuant to the Collateral Switch Agreement and subject to the satisfaction of the Collateral Switch Conditions, the Portfolio Swap Counterparty may at any time from time to time after the Closing Date direct the Issuer to terminate any then Applicable Collateral Arrangement and to reinvest the Collateral Principal Proceeds in an Alternative Collateral Arrangement.

On any Collateral Switch Date the Issuer shall, if so instructed by the Portfolio Swap Counterparty and subject to the satisfaction of the Collateral Switch Conditions, terminate the GIC Arrangement (in whole or in part) and apply the Collateral Principal Proceeds received in the purchase of Eligible Investments (denominated in Dollars, Euro and/or Sterling and having an aggregate Market Value at least equal to such Collateral Principal Proceeds) pursuant to a Repo Arrangement and/or by way of investment in one or more TRS Arrangements. Pursuant to the Repurchase Agreement (if any), the Eligible Repo Counterparty will be under an obligation to repurchase the Repo Collateral from time to time and pay periodic Repo Premium to the Issuer. Pursuant to a TRS Arrangement (if any) the Issuer will be entitled to periodic payments of TRS Premium and to TRS Principal Realisations to meet certain obligations of the Issuer.

Portfolio Credit Swap Premium, Collateral Principal Proceeds, Collateral Income Proceeds and Cash Reserve Amounts will, from time to time, be applied, subject to the priority of payments and security provisions as described herein, to meet the Issuer's obligations under the Notes, the Portfolio Credit Swap and the other Transaction Documents.

General Risk Factors

Investor Considerations

The Notes are complex securities and investors should possess, or seek the advice of advisors with the expertise necessary to evaluate the information contained in this Prospectus in the context of such investor's individual financial circumstances and tolerance for risk. An investor should not purchase Notes of any Class unless it understands the principal repayment, credit, liquidity, market and other risks associated with such Notes and such Class.

Suitability

The Notes are not a suitable investment for all investors. Each Investor should ensure that it understands the individual legal, tax, accounting, regulatory and financial implications of an investment in the Notes for such investor.

Investors may not rely on the Account Bank, any Agent, any Swap Agent, the Administrator, the Corporate Services Provider, any Eligible Custodian, the GIC Provider, any other Applicable Collateral Counterparty, the Bookrunner, the Portfolio Swap Counterparty, the GIC Guarantor, any other Applicable Collateral Guarantor, the Note Trustee or the Security Trustee (together the "**Transaction Participants**" and each a "**Transaction Participant**") or the Issuer in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to in these risk factors. Neither the Issuer nor any Transaction Participant is acting as an investment adviser to, or agent of, or assumes any fiduciary obligation to, or acts in any other capacity on behalf of, any investor in the Notes. The Transaction Participants and the Issuer

do not assume any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity or any other Transaction Participant.

Reference Portfolio Risk

The potential liability of the Issuer to pay Cash Settlement Amounts under the Portfolio Credit Swap may lead to a reduction of the Adjusted Principal Balance of the Notes and thereby a reduction in the amounts of interest and principal payable to such Noteholders.

A Cash Settlement Amount may become payable if a Credit Event occurs with respect to a Reference Entity (or one or more Obligations thereof) and a Credit Event Notice is delivered in respect of that Reference Entity and one or more Sub-Portfolios which include it.

If the Conditions to Settlement are satisfied with respect to a Reference Entity and a Sub-Portfolio, a Credit Protection Valuation will be determined in respect of such Reference Entity and such Sub-Portfolio. The Credit Protection Valuation with respect to a Reference Entity and a Sub-Portfolio will be determined by reference to an Aggregate Reference Obligation Loss Amount determined in respect of such Reference Entity (for the purposes of such Sub-Portfolio) by reference to one or more Reference Obligations thereof (as selected by the Portfolio Swap Counterparty for the purposes of such Sub-Portfolio) and the value of such Reference Obligations (for the purposes of such Sub-Portfolio) as determined by the Calculation Agent in accordance with valuation procedures set out in the Portfolio Credit Swap.

For so long as the Aggregate Reference Obligation Loss Amount for a Reference Entity for the purposes of an Inner Tranche Portfolio, when aggregated with all other Aggregate Reference Obligation Loss Amounts previously determined and verified in respect of that Sub-Portfolio, is less than or equal to the Tranche Threshold Amount applicable to that Sub-Portfolio, the Credit Protection Valuation determined in respect of such Reference Entity and such Sub-Portfolio will be zero. The Tranche Threshold Amount for each Inner Tranche Portfolio will be set out in the Reference Registry and may be changed from time to time by the Portfolio Swap Counterparty in accordance with the provisions relating to a Replacement. A Tranche Threshold Amount is not applicable to a Direct Portfolio.

If Aggregate Credit Protection Valuations exceed the Global Threshold Amount then the Issuer will be obliged to pay one or more Cash Settlement Amounts to the Portfolio Swap Counterparty.

If on any day the Issuer is obliged to pay a Cash Settlement Amount which exceeds Cash Reserves available to the Issuer on that date, the Adjusted Principal Balance of the Notes will be reduced by such excess (such excess being a Noteholder Contribution).

Reference Registry

As of the Closing Date, the Reference Registry will be as set out herein under "*Reference Registry as at the Closing Date*". The Reference Registry was compiled by the Portfolio Swap Counterparty in good faith and in reliance on information selected by it acting in a commercially reasonable manner as of the Registry Compilation Date. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Portfolio Swap Counterparty as to the accuracy or completeness of the information selected by it as of the Registry Compilation Date. In selecting the Reference Entities and Reference Obligations to be included in the Reference Registry as of the Closing Date, the Portfolio Swap Counterparty did not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but made such selections as it deemed to be in its interests, which selections may be adverse to the interests of the Issuer and/or the Noteholders.

The Reference Registry records (a) the Initial ABS Direct Portfolio Size, being EUR 450,000,000, (b) the Initial Corporate Direct Portfolio Size, being EUR 1,500,000,000, (c) the Initial Direct Portfolios Size, being EUR 1,950,000,000 and (d) for each Inner Tranche Portfolio, the Tranche Thickness Amount thereof, being EUR 105,000,000. The Reference Registry will record the PF Direct Portfolio in the event that any PF Reference Entities are included in the Reference Portfolio after the Closing Date. The Tranche Thickness Amount of each Inner Tranche Portfolio as selected by the Portfolio Swap Counterparty will constitute 6 per cent. of the notional size of that Inner Tranche Portfolio. Accordingly, the initial notional size of each Inner Tranche Portfolio may be as large as EUR 1,750,000,000 and the Aggregate Initial Inner Tranche Portfolio Size may be as large as EUR 17,500,000,000. None of the Initial Reference Portfolio Size, the Initial Direct Portfolios Size, the Maximum ABS Direct Portfolio Size, the Maximum Corporate Direct Portfolio Size, the Maximum PF Direct Portfolio Size or the Tranche Thickness Amount designated in respect of an Inner Tranche Portfolio may be increased or decreased.

For the avoidance of doubt (a) a Reference Entity included in the Reference Registry as of the Closing Date does not need to satisfy the Entity Criteria on either the Registry Compilation Date or the Closing Date and (b) the Reference Portfolio as of the Closing Date does not need to satisfy the Reference Portfolio Criteria on either the Registry Compilation Date or the Closing Date.

After giving effect to all Replacements made on any day, on such day the sum of the Reference Entity Notional Amounts of (a) all ABS Reference Entities included in the ABS Direct Portfolio may not exceed the Maximum ABS Direct Portfolio Size, (b) all Corporate Reference Entities included in the Corporate Direct Portfolio may not exceed the Maximum Corporate Direct Portfolio Size, (c) all Corporate Reference Entities included in an Inner Tranche Portfolio may not exceed the Maximum Inner Tranche Portfolio Size for such Inner Tranche Portfolio, (d) all PF Reference Entities included in the PF Direct Portfolio may not exceed the Maximum PF Direct Portfolio Size and (e) all Reference Entities included in the Direct Portfolios may not exceed the Maximum Direct Portfolios Size.

In adjusting the Reference Registry by way of making Replacements during the Replacement Period and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

Reference Entities

The Reference Registry will specify the Reference Entities in respect of which credit risk is transferred to the Issuer (and ultimately to the Noteholders) pursuant to the terms of the Portfolio Credit Swap (and the Conditions). The Reference Portfolio will be constituted by the ABS Direct Portfolio, the Corporate Direct Portfolio, the PF Direct Portfolio and each Inner Tranche Portfolio.

The Portfolio Swap Counterparty may reference credit exposures which exist both in funded and in unfunded form. Corporate credit exposures referenced in funded form will take the form of Bonds, Loans, Qualifying Guarantees and/or Qualifying Policies, while asset-backed securities referenced in funded form will take the form of Bonds (other than Bonds which are Excluded Securities) and project finance exposures referenced in funded form will take the form of Project Finance Loans or Project Finance Guarantee Indemnities. Credit exposures referenced in unfunded (i.e. synthetic) form will take the form of credit default swap transactions and, more specifically, the exposure of a credit protection seller thereunder. Credit exposure in the form of a credit default swap may be likened to the exposure of a holder of a credit-linked note or other asset backed security. Defaults, valuations and actual or potential recoveries in respect of the underlying asset pool of a credit-linked note or an asset backed security may affect the extent of principal losses suffered by a holder thereof. Defaults, valuations and actual or potential recoveries in respect of the underlying reference obligations of a credit default swap transaction may affect the amount of losses for which the seller of credit protection may be required to make cash settlement payments. For the purposes of referencing credit default swap transactions, a nominal entity (each a Proxy ABS Reference Entity) in respect of each such credit default swap will be deemed to exist as the Reference Entity thereof in order that the Reference Portfolio Criteria can be applied to such credit default swap transactions. Proxy ABS Reference Entities do not represent any actual entities. Each Proxy ABS Reference Entity embodies for the purposes of the Portfolio Credit Swap and the Reference Portfolio Criteria, the credit exposure borne by a seller of credit protection (which will be KBC Bank, the Portfolio Swap Counterparty or any of their respective Affiliates) under a particular Eligible Credit Swap Transaction.

Limited Provision of Information about Reference Entities

None of the Issuer, the Note Trustee, the Security Trustee or any Noteholder will have the right to inspect any records of the Portfolio Swap Counterparty or any of its affiliates.

The Transaction Participants may, whether by virtue of the types of relationships described herein or otherwise, at the Closing Date or at any time thereafter, be in possession of information in relation to a Reference Entity or any Underlying Obligor or any other person that is or may be material in the context of the transactions contemplated in this Prospectus and that may or may not be publicly available or known to other Transaction Participants or to investors in the Notes. Save as provided in the Transaction Documents in respect of the Portfolio Swap Counterparty, none of the Transaction Participants and their respective affiliates will be under any obligation to disclose any such relationship or information (whether or not confidential).

Reference Obligations

Aggregate Reference Obligation Loss Amounts (and, indirectly, Credit Protection Valuations) will be determined in respect of Reference Entities in respect of which Credit Events have occurred, and in respect of which the Conditions to Settlement are satisfied, by reference to the value of one or more Reference Obligations thereof.

In selecting Reference Obligations and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

Reference Obligations of Corporate Reference Entities

Reference Obligations of Corporate Reference Entities will be Bonds, Loans, Qualifying Guarantees and/or Qualifying Policies selected by the Portfolio Swap Counterparty after the occurrence of the relevant Credit Event.

If the Reference Registry indicates that the Subordination Provisions are applicable to a Corporate Reference Entity and a Sub-Portfolio, the Reference Obligations selected by the Portfolio Swap Counterparty for that Reference Entity and that Sub-Portfolio may include obligations which are subordinate, in the ranking of priority of payment, to the general unsubordinated obligations of the Reference Entity. The value of such subordinated obligations may be significantly less than obligations of that entity which are not subordinated and may lead to greater Reference Obligation Loss Amounts, Aggregate Reference Obligation Loss Amounts and Credit Protection Valuations being determined and, ultimately, to greater Cash Settlement Amounts being payable.

Reference Obligations of ABS Reference Entities

Reference Obligations of ABS Reference Entities (other than Proxy ABS Reference Entities) will be one or more Bonds (other than Bonds which are Excluded Securities) selected by the Portfolio Swap Counterparty and designated in the Reference Registry. Bonds designated in respect of ABS Reference Entities (other than Proxy ABS Reference Entities) will be asset backed securities including, among others, credit card securities, collateral debt obligations, synthetic collateral debt obligations, commercial mortgage backed securities, residential mortgage backed securities and whole business securitisations, but will not include Excluded Securities.

Generally, an asset backed security is a security or any obligation that is evidenced by a certificate that entitles the holder thereof to receive payments that depend primarily on, and are secured upon or derived from, the cash flow from, or the market value of, a specified pool of assets or transactions that synthetically replicate the investment risks of holding a specified pool of assets, that by their terms are expected to generate or convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of the securities or certificates. A synthetic asset backed security typically involves the transfer of the credit risk of a pool of assets or entities (the reference portfolio) to a special purpose company via a credit swap or total return swap rather than by any actual transfer of ownership or any other interest in the reference portfolio. The special purpose company as issuer will in turn transfer the credit risk of the reference portfolio to investors by issuing credit-linked notes. The issuer will typically invest the proceeds from the sale of the notes to generate a cash flow enabling the issuer, together with any fee payable to it under the credit swap or total return swap, to service the credit-linked notes, to make credit protection payments under the credit swap and to secure its obligations under the credit-linked notes and the credit swap or total return swap.

Asset backed securities are often subject to extension and prepayment risks which may have a substantial impact on the timing and level of their cashflows. To the extent that asset backed securities do not have bullet redemption provisions, structural features (such as mandatory, optional and early redemption provisions, payment-in-kind features, the prescribed timeframes and conditions for undertaking various actions and priorities of payment) and general economic and financial conditions (such as the prevailing interest rates, foreign exchange rates, revisions of credit ratings and actual recoveries) may have an impact on the actual or weighted average life of asset backed securities. There can be no certainty as to the exact actual or weighted average life of any such asset backed security at a specific point in time, nor the level of impact of the above-mentioned structural features and changes to the general economic conditions.

Unless the Termination Date has occurred, the amount of principal funds available for distribution on the Notes will be affected by, amongst other things, the extent of payment or repayment of principal on any asset backed securities designated as ABS Reference Obligations of any ABS Reference Entities. The timing of any repayment of principal on the Notes may be affected by the actual life of such ABS Reference Obligations and this may adversely affect any return on the Notes.

Reliable sources of statistical information may not exist with respect to the defaults, prepayments or recovery rates for all types of obligations of asset backed securities designated as ABS Reference Obligations. Actual default rates may exceed historical default rates. Actual recovery rates may be lower than historical recovery rates or the Rating Agencies' assumed recovery rates and may be zero. In any event, past performance is not necessarily indicative of future performance.

Reference Obligations of Proxy ABS Reference Entities

The Reference Obligation of a Proxy ABS Reference Entity will be the single Eligible Credit Swap Transaction selected by the Portfolio Swap Counterparty and designated as the Proxy ABS Reference Obligation of such Proxy ABS Reference Entity in the Reference Registry. Under an Eligible Credit Swap Transaction, a seller of credit protection is typically exposed to the risk of credit events occurring with respect to one or more reference entities referenced thereunder and to the recoveries available and/or market valuation in respect of certain obligations of such reference entities following the occurrence of a credit event. Credit exposure in the form of a credit default swap may be likened to the exposure of a holder of a credit-linked note or other asset backed security. Defaults, valuations and actual or potential recoveries in respect of the underlying asset pool of a credit-linked note or an asset backed security may affect the extent of principal losses suffered by a holder thereof. Defaults, valuations and actual or potential recoveries in respect of the underlying reference obligations of a credit default swap transaction may affect the amount of losses for which the seller of credit protection may be required to make cash settlement payments.

Credit exposure to or via credit default swaps (for example in the form of credit-linked notes, synthetic collateralised debt obligations or Eligible Credit Swap Transactions) which may be referenced under the Portfolio Credit Swap may however involve risks which are additional to those occurring through a direct holding of the assets ultimately underlying such obligations. The terms of a credit default swap including, in particular, the credit events defined therein and the loss calculation methodology applicable thereto, may result in a different (and potentially greater) risk of loss and different (and potentially greater) measure of loss as compared to an actual holding in the relevant underlying assets.

In selecting Reference Obligations and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

Reference Obligations of PF Reference Entities

Reference Obligations of PF Reference Entities will be Project Finance Loans or Project Finance Guarantee Indemnities selected by the Portfolio Swap Counterparty and designated in the Reference Registry. PF Reference Obligations will be repayment or reimbursement obligations of PF Reference Entities arising in connection with loans made to the PF Reference Entity in respect of the financing of a Project Contractor's obligations under an Eligible Project Agreement.

Unless the Termination Date has occurred, the amount of principal funds available for distribution on the Notes will be affected by, amongst other things, the extent of payment or repayment of principal on any asset backed securities designated as PF Reference Obligations of any PF Reference Entities. The timing of any repayment of principal on the Notes may be affected by the actual life of such PF Reference Obligations and this may adversely affect any return on the Notes.

Reliable sources of statistical information may not exist with respect to the defaults, prepayments or recovery rates for all types of obligations of asset backed securities designated as PF Reference Obligations. Actual default rates may exceed historical default rates. Actual recovery rates may be lower than historical recovery rates or the Rating Agencies' assumed recovery rates (if any) and may be zero. In any event, past performance is not necessarily indicative of future performance.

Set out below are some of the typical risks that may arise on infrastructure projects eligible for inclusion in the Reference Portfolio, along with a description of the typical mitigants which apply to those risks. **These risks and mitigants are indicative only and they are not necessarily representative of all or any of the transactions which may make up the Reference Portfolio. These descriptions of risks are designed to draw attention in generic terms to the main areas of risk inherent in the obligations of the type that may be included in the Reference Portfolio as PF Reference Obligations. As such they do not constitute a complete description of the risks inherent in any individual PF Reference Obligation.**

The following risks associated with PF Reference Entities and PF Reference Obligations may increase the likelihood of a Credit Event occurring in respect of a PF Reference Entity or a PF Reference Obligation; which may in turn result in a Cash Settlement Amount being payable by the Issuer under the Portfolio Credit Swap thus resulting in a reduction in the Adjusted Principal Balance of the Notes and thus the amount of interest and principal payable to the Noteholders.

Project Finance

Project finance is a method of funding in which the project finance lender looks primarily to the revenues generated usually by a single commercial entity, both as the source of repayment and as security for the project loan. This type of financing is usually for large, complex and expensive installations that might include, for example, power plants, hydrocarbon treatment facilities, pipelines, chemical processing plants, mines, transportation infrastructure, environment, public-private partnerships and telecommunications infrastructure. Projects are often developed under long-term concession agreements. The borrower is usually a special purpose entity or the holding company of a special purpose entity, which is not permitted to perform any function other than developing, owning and operating the installation. In such transactions, the project finance lender is usually paid solely or almost exclusively out of the money generated by the contracts for the facility's output or service. The special purpose entity may also enter into a range of contracts to mitigate risks such as, but not limited to, construction risk, operating risk and demand and usage risk. Repayment of the project finance debt depends primarily on the project's cash flow and on the collateral value of the project's assets, or the residual life of a concession.

Construction delay and cost overrun

There is the risk that construction of a project's assets (and certification of the service to be provided) may not be completed to the agreed price within the agreed time period.

The Project Contractor will typically subcontract its construction obligations to a construction contractor (the "**Construction Contractor**") on the basis of a fixed price and a specified date for completion of the construction project (such agreement, the "**Construction Contract**"). Such a Construction Contract will normally seek to pass the majority of risks relating to price and/or timing to the Construction Contractor, subject to certain agreed maximum liabilities.

Following any construction delays, and depending upon the severity of any such construction delays, the Project Contractor may suffer consequential delays with respect to the project's full revenue earning capability (either under a relevant Eligible Project Agreement or directly from ultimate end users, depending on the payment structure applicable to the project). Furthermore, the Project Contractor will often become liable to start repayment of the project finance debt used to fund the construction. Under the Construction Contract the Construction Contractor will normally be required to pay liquidated damages for failure to complete the construction on time.

The level of liquidated damages may be capped, but such cap will normally be set so as to enable the Project Contractor, amongst other things, to comply with its debt service obligations in respect of the Project Finance Loans for a limited time period. Generally, the Construction Contractor will seek to cap its liability under the Construction Contract.

The Construction Contractor's performance obligations will often be guaranteed by its parent company or companies. With respect to some transactions there may be third party support (in the form of a surety bond) for the performance by the Construction Contractor of its obligations under the Construction Contract.

Availability - risk

Some projects may have a payment structure based on the availability of the buildings or assets which are central to the project during the operating phase of the project. The basic premise of an availability based payment structure is that a relevant project finance sponsor, purchaser or off-taker will only have to pay the agreed price under the Relevant Project Agreement (the "**Availability Charge**") to the extent that the project assets are actually available for use by such project finance sponsor, purchaser or off-taker (or other end user(s)) (and irrespective of whether such project assets are actually used). In addition, payment of the Availability Charge will normally be subject to deductions where the services or output to be provided by the Project Contractor fails to meet the agreed performance standards or specification.

Performance or operating risk

Operation of the project assets and provision of the project services or output will often be subcontracted to one or more operating contractors or service providers (an "**Operator**") on the basis of contracts (each an "**Operating Contract**") which pass the obligations of the Project Contractor under the Relevant Project Agreement to operate the project to the Operator on, broadly, similar terms. Where an Operator fails to perform its obligations under its Operating Contract it is normally liable to the Project Contractor for the reduction in revenue resulting from that failure, subject to caps on the Operator's liability, which typically reflect the value of the relevant Operating Contracts. To the extent that these caps are exceeded, the Project Contractor's revenue is likely to be adversely affected, although the Project Contractor may be able to replace an Operator who is persistently performing to a substandard level.

Subject to the various caps on liability, the Construction Contract and the Operating Contract will normally together provide a regime in which, subject to certain exceptions, the Project Contractor has recourse to one or more of the Construction Contractor and/or the Operator for reductions in its revenue which are attributable to performance failures or defects in the construction of the underlying project assets.

In some projects or sectors, some or all of the services (typically only "soft services", such as catering, cleaning and security) may be subject to benchmarking or market testing. These processes allow either (i) for adjustments to be made to the price of the relevant Operating Contract and to the Availability Charge in order to reflect the prevailing market price for the relevant services or (ii) re-tendering of the Operating Contracts with a sharing in the Availability Charge of any adjustment in the cost of the services which results from the re-tendering.

In cases where the Project Contractor undertakes the operation of the project finance assets itself, a PF Lender may seek to mitigate this risk by requiring the Project Contractor to use certain measures, such as employing suitably skilled personnel, requiring the Project Contractor to maintain a cash reserve against projected future operating expenditure, ensuring that it has sufficiently robust operating cost forecasts, conducting severe downside sensitivity tests and/or imposing dividend blocks to protect the project's cash position.

Competition, demand and usage risk

Some projects may be subject to competitive risks or have a payment structure in which all or a material part of the Project Contractor's expected revenue is not based on the availability of the project assets, but rather price competition, market demand or actual usage of those assets.

The relationship between performance and demand-based revenue is less clear-cut than for availability based payment systems. In some cases it may be possible to attribute reduced revenue to poor performance. In other cases, where there is less elasticity of demand, poor performance may not have such a marked impact on revenue.

In the case of projects operating in a competitive market, PF Lenders may seek to ensure that the project has a financial profile commensurate with the business risk. PF Lenders are also likely to subject the project's business case to significant stress tests to ensure that it can withstand downside scenarios. In some sectors the project will have developed a strong business franchise and an established customer base to mitigate this risk. In other sectors, the Project Contractor's revenue stream is likely to be subject to regulatory risk (for example in the renewable sector or in distribution networks for gas, electricity or water where it may not be physically practical to introduce competition). Conversely, where a project has a monopoly over a distribution network the regulator may require it to provide third party access.

Project finance lenders may seek to reduce their exposure to demand or usage risk and may seek robust demand forecasts supporting projected revenue. In some cases, where there may be commodity price risk, project finance lenders may require the Project Contractor to enter into hedging or off-take agreements to mitigate the market price risk for the project. In other cases, hybrid payment structures based on a combination of both availability based payments and usage based payments may apply.

Insurance and uninsured risks

The Project Contractor is generally required to manage its insurance arrangements as it (and the relevant PF Lender(s)) may consider appropriate. A Relevant Project Agreement may require a certain minimum level of insurance cover sufficient to protect the interests of the project sponsor or the party responsible for promoting and/or financially supporting the project (the "**Relevant Project Sponsor**") and to place some obligations on the Project Contractor in respect of the application of insurance proceeds and whether they are required to be applied in reinstatement of the project assets. The minimum insurance requirements set out in the Project Agreement may be supplemented by requirements imposed on the Project Contractor by the relevant PF Lender(s) (who will have different interests in the insurance package, for example wishing to extend it to

business interruption and advance loss of profits cover). Typically insurance will (subject to policy excess and other deductibles) cover losses, which result from most normal insurable events.

The risk of an increased cost of maintaining the required insurance cover is traditionally one which is borne by a Project Contractor, though in some markets a Project Contractor may attempt to reduce their exposure to insurance cost risk by, incorporating a pass-through of insurance costs or sharing insurance cost risk with the Relevant Project Sponsor.

In some markets and sectors, where required insurances become unavailable, the Relevant Project Sponsor may act as an insurer as a last resort.

In spite of the insurance protection maintained by the Project Contractor, there will normally be certain events, which will result in the Project Contractor suffering a loss (either as an expense or as a loss of revenue) from which the Project Contractor is not protected by either insurance or compensation from the Relevant Project Sponsor under the Relevant Project Agreement. Such events will normally include force majeure and capital costs incurred as a result of a change in law. Typically, project finance lenders will require the Project Contractor to show that such costs can be met from project revenues or, alternatively, to require the Project Contractor to maintain a cash reserve or other funding arrangement to meet such costs.

Termination of the project agreement

A Relevant Project Agreement may entitle the Project Contractor to a compensatory termination payment, following termination of the Relevant Project Agreement. Such provisions would tend to be more prevalent in Relevant Project Agreements, where the Relevant Project Sponsor is a central government or other governmental entity. Such agreements tend to be able to be terminated if (i) the Relevant Project Sponsor or Project Contractor defaults; (ii) there are any corrupt gifts or fraud; or (iii) any force majeure, change of law or other no fault event occurs rendering the Relevant Project Agreement illegal to perform.

Events of default with respect to a Project Contractor are likely to include insolvency of the Project Contractor, failure to complete the project within a specified period, abandonment of the project, breach of any insurance provisions, breach of any change of control provisions, breach of any assignment provisions and breach of any pre-agreed performance monitoring thresholds.

The compensation payable on termination of a Relevant Project Agreement depends on the nature of the underlying termination event. Generally, the senior debt outstanding under the senior financing agreements at the date of termination is payable in circumstances of the Relevant Project Sponsor default, corrupt gifts and fraud and the "no fault" scenarios described above. The senior debt payable usually includes interest, default interest and any breakage costs.

If the Project Contractor is in default, a PF Lender may not receive full debt repayment in all circumstances as an underlying principle of the public sector is that senior project finance lenders should participate in taking a share of risk on the performance of the Project Contractor.

In circumstances where no termination provisions apply, a PF Lender may seek to ensure that it benefits from security instruments and contractual rights that result in any PF Reference Obligation ranking as senior secured debt of the PF Reference Entity. Following a default this may allow the PF Lenders to either enforce their security over the project assets subject to the relevant security to sell such assets to a third party or step-in and thus manage the project as a going concern, so as to maintain the integrity of the contractual structure of the project. However, notwithstanding the security and contractual rights granted in respect of a PF Reference Obligation, certain other creditors, either by statutory or legal preference or as a part of the overall financing structure, may have rights that rank ahead of those granted to secure the PF Reference Obligation in certain circumstances. Furthermore, the precise extent and nature of such security and contractual rights varies depending on the country and Eligible Project Sector of the PF Reference Obligation as do the means and consequences of enforcing such security and contractual rights.

Lifecycle and maintenance costs

In many cases, the cost of lifecycle and other maintenance or capital expenditure obligations is likely to remain with the Project Contractor to be met out of project revenues as and when it arises. To mitigate this risk, PF Lenders may require the Project Contractor to maintain a cash reserve (or arrange for alternative financial support) to cover projected future maintenance expenditure. In the case of investment capital expenditure, PF Lenders are likely to impose covenants to restrict the amount of cash available or require the project to demonstrate that the capital expenditure will generate positive cash flow.

In certain circumstances or project sectors, the Project Contractor may be able to subcontract lifecycle and other maintenance obligations to an equipment maintenance provider (whose liability for failure to perform its obligations may be subject to a cap) on the basis of a fixed price for a specified time period or for the life of the project.

Planning and other consents

Typically many initial planning and other consents will be obtained prior to execution (or effectiveness) of the Relevant Project Agreement. To the extent that consents are not obtained prior to commencement of the project, the Relevant Project Agreement will normally allocate responsibility for obtaining those consents between the Relevant Project Sponsor or other entity responsible for commissioning the project on the one hand and the Project Contractor on the other hand. The Project

Contractor would normally expect to pass on any ongoing responsibility for obtaining consents to one or other of the Construction Contractor or the Operator, subject to any caps on their respective liabilities referred to above.

Licences and Consents

There may be a risk that licences and consents for the project will not be forthcoming or be subject to costly conditions. PF Lender(s) may require the Project Contractor to have obtained all licences, permissions and authoritative approvals as a condition precedent to the loan being made available. Where this is not required, typically a PF Lender may be satisfied that the receipt of any such approvals is a procedural matter only and would be forthcoming in due course.

Site risks

Subject to certain specific exceptions which may be retained by the Relevant Project Sponsor or other entity responsible for commissioning the project in the Relevant Project Agreement and also the caps on the Construction Contractor's liability described above, site and soils condition risks are normally assumed by the Project Contractor (as between it and the Relevant Project Sponsor or other entity responsible for commissioning the project) and then passed to the Construction Contractor pursuant to the Construction Contract.

Environmental risk

Some projects or project sectors may be subject to a degree of environmental risk. However, the majority of PF Lenders typically adopt the equator principles developed by commercial banks and the International Finance Corporation, in accordance with World Bank standards that are a financial industry benchmark for determining, assessing and managing social and environmental risk in project finance.

Reserve risk

In certain projects or sectors, there may be a risk that the resources earmarked to fund a repayment of the PF Reference Obligation may be overestimated (for example, for reserves of oil, gas or metals commodities). The risk is increased by the degree of difficulty in extracting those reserves. In the vast majority of cases, project finance lenders may only lend in respect of projects that are operational and will not accept exploration or significant development risk. In particular, a project will need to have demonstrated minimum levels of proven reserves which have been affirmed by independent consultants and which provide adequate cover for the project finance loan. As part of the process of evaluating such a project, the project finance lenders would invariably employ a reserves engineer to analyse the geology and structure of a hydrocarbons reservoir or minerals deposit, as appropriate.

Developments involving oil and gas are commonly undertaken on a joint venture basis, which have implications for project finance lenders. The principal security available for a project finance lender is the interest of a participant in any production licence, field facilities, operating agreements (or joint venture agreements), transportation contracts and sales/offtake contracts, the hydrocarbons being produced and the project insurances. One of the risks that a PF Lender may face is the likelihood that the operating (or joint venture) agreement among the participants is likely to contain forfeiture provisions where an individual participant is in default in meeting cash calls or otherwise under the operating (or joint venture) agreement. A PF Lender's security is in these circumstances likely to be subordinated to the interest of the other participants and this may diminish the value of the security for the PF Lender. Another issue for a PF Lender is that, although it is possible to take a charge over exploration and producing licences, the consent of the relevant governmental authority may be required prior to any actual enforcement of this security and the relevant governmental authority in this connection may require to approve any proposed transferee of a licence which consent or approval may not be forthcoming.

Production risk

Where the project produces products such as hydrocarbons or minerals, then a project finance lender may seek to take security over these products. However, in many jurisdictions, title to hydrocarbons and minerals are vested in a relevant government until they are successfully extracted and therefore no security interest will be possible until the hydrocarbons have been extracted. For example, in the United Kingdom, North Sea oil in the ground does not belong to the oil companies but to the Crown. The oil companies are merely granted the right to extract that oil and upon extraction the oil belongs to the oil companies.

Also, there may be further complications in certain jurisdictions where products are mixed with the same product belonging to others. An example of this would be where oil or gas is transported through a common transportation system making it impossible to identify individual ownership interests. In such cases, the extent of the security that a project finance lender can seek is the right to take delivery of an agreed share of the products once they exit in the common transportation system.

General financial risks

The PF Reference Obligations are generally likely to pay interest at floating rates. A PF Reference Entity may not have the ability to pass on interest rate variations either directly to users or under the Relevant Project Agreement by way of increased charges. A significant portion of this floating interest rate exposure is typically hedged by way of interest rate swaps or other derivatives. Given the uncertainties as to the precise timing of cash flows, the relevant projects may be exposed to limited residual floating interest rate exposure. In some projects there may be a degree of foreign exchange risk, but PF Lenders will seek to minimise this through appropriate hedging mechanisms.

Some transactions may be financed on the basis that the initial term of the financing is relatively short and a bullet or balloon payment would be required to be made on expiry of the initial term which may then be refinanced. In some projects, this risk is mitigated through the financing of a long term concession agreement, which ensures a very long contractual period during which the debt can be repaid. In other cases the project may have a very strong business franchise or long term offtake contracts which have stable and predictable revenue streams.

Diversification Risk

The risk of Credit Events occurring with respect to the Reference Portfolio and the risk to the Issuer of being required to pay or to pay an increased amount of Cash Settlement Amounts may be adversely affected by:

- (a) the concentration of exposure within the Reference Portfolio or any Sub-Portfolio thereof to any one area or country, obligor or industry;
- (b) the inclusion of a Corporate Reference Entity in more than one Sub-Portfolio; and
- (c) as Reference Entity Notional Amounts of each Reference Entity in a Sub-Portfolio are not required to be equal, a comparatively large Reference Entity Notional Amount being attributed to a particular Reference Entity for the purposes of one or more Sub-Portfolios.

A CDO of ABS Security may be included in the ABS Direct Portfolio as an ABS Reference Obligation. A CDO of ABS Security is a security in respect of which, in the reasonable commercial judgment of the Portfolio Swap Counterparty, the issuer thereof funds the majority of its payments from the cash flows of a portfolio of Asset-Backed Securities. The inclusion of a CDO of ABS Security may result in a concentration in a particular Asset-Backed Security in the ABS Direct Portfolio which may adversely affect the risk of the Issuer being required to pay or to pay an increased amount of Cash Settlement Amounts. An Eligible Credit Swap Transaction may be included in the ABS Direct Portfolio as a Proxy ABS Reference Obligation. An Eligible Credit Swap Transaction may reference one or more Asset-Backed Securities. The inclusion of such a Proxy ABS Reference Obligation may result in a concentration in a particular Asset-Backed Security in the ABS Direct Portfolio which may adversely affect the risk of the Issuer being required to pay or to pay an increased amount of Cash Settlement Amounts.

A Corporate Reference Entity may be included in more than one Sub-Portfolio. If a Credit Event occurs with respect to that Corporate Reference Entity, Credit Protection Valuations may be determined in respect of such Corporate Reference Entity and, at the discretion of the Portfolio Swap Counterparty, one or more of such Sub-Portfolios. The risk of the Issuer being required to pay or to pay an increased amount of Cash Settlement Amounts may be adversely affected by a Corporate Reference Entity being included in more than one Sub-Portfolio and:

- (a) different Reference Obligations being chosen for the same Corporate Reference Entity for the purposes of different Sub-Portfolios;
- (b) different Reference Obligation Notional Amounts being attributed to the same Reference Obligation of a Reference Entity for the purposes of different Sub-Portfolios; and
- (c) different Credit Protection Valuations in respect of the same Corporate Reference Entity but in respect of separate Sub-Portfolios being determined at different times or following different Credit Events.

Changes to the Reference Portfolio

In selecting Reference Obligations and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

The Portfolio Swap Counterparty may on-sell to third parties the benefits of the credit protection it is purchasing from the Issuer. As the Portfolio Swap Counterparty's cost for the credit protection is fixed, the Portfolio Swap Counterparty may (so long as it believes the benefits exceed the risk of suffering losses up to the Global Threshold Amount) attempt to enhance its profits from this transaction by replacing Reference Entities presently (or at any time in the future) included in the Reference Portfolio with Reference Entities for which it can charge its market counterparties a greater fee (referred to in the financial markets as a "credit spread") than the credit spread it is able to charge such parties in connection with those Reference Entities presently (or at any time in the future) included in the Reference Portfolio. While some Replacements may permit higher credit spreads to be charged without adversely affecting the overall credit quality of the Reference Portfolio, other Replacements may be to the detriment of Noteholders as they could decrease the overall credit quality of the Reference Portfolio. The only constraints on the Portfolio Swap Counterparty's ability to replace one or more Reference Entities (or increase the Reference Entity Notional Amount of those Reference Entities already included in the Reference Portfolio) for which it can charge a higher credit spread in place of Reference Entities already in the Reference Portfolio are those imposed by the Trading Guidelines. Prior to making an investment in the Notes, potential investors should understand the Trading Guidelines and the constraints they impose.

During the period from, and excluding, the Closing Date until, and including, the Scheduled Amortisation Commencement Date (or, if earlier, the Termination Date) the Portfolio Swap Counterparty will have the right to adjust the Reference

Portfolio through the addition, removal or replacement of Reference Entities or through the increase or decrease of Reference Entity Notional Amounts and/or Reference Obligation Notional Amounts, to add, remove or replace any Reference Obligation designated in respect of an ABS Reference Entity and/or to add, remove or replace any Reference Obligation designated in respect of a PF Reference Entity subject to compliance with the Trading Guidelines. On and after the Scheduled Amortisation Commencement Date the Portfolio Swap Counterparty will have the right to adjust the Reference Portfolio through the removal of Reference Entities or the decrease of Reference Entity Notional Amounts and/or Reference Obligation Notional Amounts. Accordingly, the nature and extent of the risks assumed by the Issuer (and indirectly) the Noteholders will change over time and accordingly may do so in a manner adverse to the interests of the Issuer and the Noteholders.

In exercising such rights the Portfolio Swap Counterparty is not obliged to consider the interests of the Issuer, the Noteholders or any other person.

The Portfolio Swap Counterparty will not be obliged to remove a Reference Entity from the Reference Registry if either it or the Reference Portfolio falls out of compliance with the Entity Criteria or Reference Portfolio Criteria after the inclusion of such entity on the Closing Date or pursuant to a Replacement made in accordance with the Trading Guidelines.

Satisfaction of the Moody's Trading Model Test

The only constraints on the Portfolio Swap Counterparty's ability to make Replacements are those imposed by the Trading Guidelines including, without limitation, the requirement that after giving effect to such Replacement (together with any other Replacements made in the same Replacement Sequence) the Moody's Trading Model Test is satisfied at such time.

The Moody's Trading Model Test is intended to compare the measure of the ultimate expected loss of principal and interest with or without giving effect to the proposed Replacement. In August 2005, to simplify the application of the Moody's Trading Model Test, Moody's introduced a numeric rating measure which it has called the 'Moody's metric'. The Moody's metric is a numerical proxy for an expected loss over a given time horizon. The Moody's metric is an output of the Moody's Trading Model and utilises an ordinal rating scale wherein a single integer corresponds to the expected loss 'boundary' for a given Moody's rating category, irrespective of the time horizon considered. While the actual expected loss 'limit' varies with maturity, the Moody's metric remains constant. For example, for a 'Aaa' and 'Aa1' rating, the expected loss hurdle corresponds to a Moody's metric of '1' and '2', respectively. The Moody's metric is intended to offer more granularity when assessing the credit quality between Moody's rating categories and to give insight as to 'how close' a tranche is to a rating boundary and to allow differentiation between a 'strong' and 'weak' expected loss relative to a rating hurdle. If the Moody's metric increases for a given tranche, there has been deterioration in credit quality. It is important to note that while the Moody's metric mechanism is intended to allow Moody's to estimate the ultimate expected loss of principal and interest, the Moody's Trading Model does not provide the rating which Moody's ultimately ascribes to any tranche. The Moody's metric is defined herein as the "**Moody's Metric Measure**".

The Moody's Trading Model Test is satisfied as at any time with respect to a Replacement (after giving effect to such Replacement together with any other Replacements made in the same Replacement Sequence) if: (a) the Moody's Metric Measure of each Class of Notes is lower than or equal to the Maximum Moody's Metric Measure of such Class of Notes; or (b) in respect of each Class of Notes: (A) in relation to which the Moody's Metric Measure of such Class of Notes is within the Moody's Permissible Metric Measure Range for such Class of Notes prior to the commencement of the relevant Replacement Sequence which includes the relevant Replacement, the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or (B) in relation to which the Moody's Metric Measure of such Class of Notes is greater than the Moody's Metric Threshold of such Class of Notes prior to the commencement of the relevant Replacement Sequence which includes the relevant Replacement: (i) the Moody's Metric Measure of such Class of Notes is reduced to less than or equal to the Moody's Metric Threshold of such Class of Notes; (ii) the Super-Senior Trading Test has been satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or (iii) the Controlling Class Trading Test has been satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby.

The Super-Senior Trading Test is satisfied as at any time (or, if a Super-Senior Approved Replacement Period has been specified by a Super-Senior Swap Counterparty, during such Super-Senior Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to each of the Issuer and the Note Trustee (with a copy to Moody's) that a Super-Senior Swap Counterparty has confirmed in writing to the Portfolio Swap Counterparty that it has consented to the Portfolio Swap Counterparty either: (i) making the identical replacements to the relevant Super-Senior Swap Portfolio; or (ii) continuing to make replacements to the relevant Super-Senior Swap Portfolio in accordance with the Trading Guidelines during the Super-Senior Approved Replacement Period specified by such Super-Senior Swap Counterparty.

There can be no assurance that the Portfolio Swap Counterparty will conclude a Super-Senior Swap with a Super-Senior Swap Counterparty or, if such a Super-Senior Swap has been concluded, that such Super-Senior Swap will not terminate prior to the end of the Replacement Period or that a Super-Senior Swap Counterparty will agree to the inclusions of terms whereby it can be requested to consent to the Portfolio Swap Counterparty continuing to make replacements to the relevant Super-Senior Swap Portfolio. Although it is anticipated, based on information provided by the Portfolio Swap Counterparty, that (a) the terms of any Super-Senior Swap entered into by the Portfolio Swap Counterparty will be on substantially the same terms as the Portfolio Credit Swap, and (b) a Super-Senior Swap Portfolio included in any Super-Senior Swap as at the date such Super-Senior Swap is entered into by the Portfolio Swap Counterparty will be substantially similar to the Reference Portfolio as at such date, there can be no assurance (i) in the case of any such Super-Senior Swap, that such terms will not be amended, varied, supplemented or modified by the parties thereto from time to time in their absolute discretion and (ii) in the

case of any such Super-Senior Swap Portfolio, that the composition of the Super-Senior Swap Portfolio and the Reference Portfolio will not diverge after such date.

A Super-Senior Swap Counterparty (if any) shall not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer, the Noteholders or the Portfolio Swap Counterparty, but will take such actions as are permitted under the relevant Super-Senior Swap which it deems to be in its interests, which may be adverse to the interests of the Issuer, the Noteholders or the Portfolio Swap Counterparty. A Super-Senior Swap Counterparty (if any) will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer, the Noteholders or the Portfolio Swap Counterparty.

The Controlling Class Trading Test is satisfied as at any time (or, if a Controlling Class Approved Replacement Period has been specified, during such Controlling Class Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to the Note Trustee (with a copy to Moody's) that the Noteholders of the Controlling Class have passed a resolution in respect of an Approved Trading Matter in accordance with the Conditions consenting to either: (i) such Replacement; or (ii) the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during such Controlling Class Approved Replacement Period.

A resolution in respect of an Approved Trading Matter by way of a Special Written Resolution of the holders of Notes of the Controlling Class or a resolution duly passed at any meeting of the holders of Notes of the Controlling Class will be binding on all Noteholders (whether or not, in the case of a resolution duly passed at any meeting of the holders of Notes of the Controlling Class, all Classes were present at such meeting) and each holder of Notes will be bound to give effect to it accordingly. Potential investors are referred to the section below entitled "*Conflicts between Classes*" in relation to potential conflicts of interests between the Controlling Class and the other Classes of Notes and to the section entitled "*Terms and Conditions of the Notes*" in relation to the procedures for passing a resolution in respect of an Approved Trading Matter.

The Portfolio Swap Counterparty shall not be liable to the Issuer or the Noteholders by reason of having acted upon any Special Written Resolution in respect of an Approved Trading Matter believed by it to be genuine or, in the case of any resolution in respect of an Approved Trading Matter purporting to have been passed at any meeting of the Controlling Class in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution or, in the case of any Special Written Resolution, there was some defect in the execution thereof or that for any reason the resolution was not valid or binding upon the Controlling Class or the other Noteholders (as the case may be).

Valuation of Credit Protection Claims

Calculation of Credit Protection Valuations

Credit Protection Valuations are the basis upon which any obligation of the Issuer to pay Cash Settlement Amounts will be assessed. If Aggregate Credit Protection Valuations exceed the Global Threshold Amount then the Issuer will be obliged to pay one or more Cash Settlement Amounts to the Portfolio Swap Counterparty (and Noteholder Contributions may arise). For each Reference Entity and Sub-Portfolio in relation to which the Conditions to Settlement are satisfied, the Calculation Agent will determine a Credit Protection Valuation.

Other than in the case of a Partial Principal Loss Claim or a Fixed Recovery Exposure, the Calculation Agent will attempt to quantify the credit protection claim by seeking market rate valuations on a Valuation Date for one or more Reference Obligations of the relevant Reference Entity as selected by the Portfolio Swap Counterparty. Credit Protection Valuations in respect of a Reference Entity and a Sub-Portfolio will be determined by reference to the Aggregate Reference Obligation Loss Amount determined in respect of that Reference Entity (for the purposes of that Sub-Portfolio) and, in the case of an Inner Tranche Reference Entity, the sum of the other Aggregate Reference Obligation Loss Amounts determined in respect of that Sub-Portfolio. For each Reference Obligation designated in respect of a Reference Entity for the purposes of a Sub-Portfolio, a Reference Obligation Loss Amount will be determined by reference to the Reference Obligation Notional Amount and to the Final Price valuations obtained in respect of such Reference Obligation (for the purposes of such Sub-Portfolio). Pursuant to procedures set out in the Portfolio Credit Swap the Calculation Agent will attempt to determine the market values of such Reference Obligations by obtaining firm bid quotations from a number of Dealers selected by it and, at the election of the Portfolio Swap Counterparty, one or more third parties. Reference Obligations may be illiquid investments notwithstanding the occurrence of a Credit Event and are likely to be illiquid after such an event. The value of bid quotations (and consequently Credit Protection Valuations) may be adversely affected by factors other than the occurrence of a Credit Event including the amount of the obligation in respect of which the bid is given, the number and nature of Dealers from which bids are sought, the number of attempts made to elicit bids, the amount of time between the occurrence of a Credit Event and the request for bids as well as general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

In respect of a PF Reference Obligation, if the Final Price cannot be determined by reference to the market valuation procedures described above and the Work-out Process has not completed within a specified time period, the Reference Obligation Loss Amount with respect to such PF Reference Obligation will be determined by reference to the appraised residual value of such PF Reference Obligation determined by independent valuation agents. However, such appraised residual value may be less than the actual value (and conversely the appraised loss may be greater than the actual loss) in respect of such PF Reference Obligation.

If a Partial Principal Loss Claim based on an ABS Permanent Reduction of Principal is made in respect of an ABS Reference Entity, the Reference Obligation Loss Amount will be the Principal Writedown Amount relating thereto. If a Partial Principal Loss Claim based on a Proxy ABS Loss Event is made in respect of a Proxy ABS Reference Entity, the relevant

Proxy ABS Loss Event Settlement Amount will have been determined under the settlement procedures applicable to the relevant Eligible Credit Swap Transaction and the Reference Obligation Loss Amount shall be the lesser of the Proxy ABS Loss Event Settlement Amount and the Proxy ABS Reference Obligation Notional Amount of such Proxy ABS Reference Obligation.

For so long as the Aggregate Reference Obligation Loss Amount for a Corporate Reference Entity for the purposes of an Inner Tranche Portfolio, when aggregated with all other Aggregate Reference Obligation Loss Amounts previously determined and verified in respect of that Sub-Portfolio, is less than or equal to the Tranche Threshold Amount applicable to that Sub-Portfolio, the Credit Protection Valuation determined in respect of such Corporate Reference Entity and such Sub-Portfolio will be zero. The Tranche Threshold Amount for each Inner Tranche Portfolio is as set out in the Reference Registry and may be changed from time to time by the Portfolio Swap Counterparty in accordance with the provisions relating to a Replacement. A Tranche Threshold Amount is not applicable to the Direct Portfolio.

If a Corporate Reference Entity and a Sub-Portfolio is designated as a Fixed Recovery Exposure, the Reference Obligation Loss Amount and thus the Credit Protection Valuation in respect of each Reference Obligation of such Corporate Reference Entity and the relevant Sub-Portfolio will not be determined by reference to the market valuations described above in respect of such Reference Obligations but will instead be determined by reference to the Fixed Recovery Percentage. The Fixed Recovery Percentage specified in respect of a Corporate Reference Entity may be less than the Final Price of the relevant Corporate Reference Obligation had the Final Price of the Corporate Reference Obligation been determined by reference to the market valuation procedures described above.

No Loss Required

The Portfolio Swap Counterparty may or may not have credit exposures to the Reference Entities, Benchmark Obligations and/or Reference Obligations. At its discretion, the Portfolio Swap Counterparty may elect not to have a credit exposure to any Reference Entities, Benchmark Obligations or Reference Obligations at all. Credit Protection Amounts and Cash Settlement Amounts may be determined and become payable whether or not the Portfolio Swap Counterparty has suffered a loss of any nature whatsoever (however caused) with respect to the relevant Reference Entity or Reference Obligations.

Liquidity and Volatility of Reference Obligations

Following the occurrence of a Credit Event with respect to a Reference Entity there may be a limited market or an absence of a market for the Reference Obligations thereof which is likely to adversely affect the market prices for such Reference Obligation used to determine a Reference Obligation Loss Amount for such Reference Obligation. Notwithstanding the occurrence of a Credit Event with respect to a Reference Entity the market value of Reference Obligations may be adversely affected by general economic conditions, the general conditions of the financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

No Legal or Beneficial Interest in Obligations of Reference Entities or Reference Obligations

Under the Portfolio Credit Swap, the Issuer will have a contractual relationship only with the Portfolio Swap Counterparty and not with any Reference Entity. The Portfolio Credit Swap does not constitute a purchase or other acquisition or assignment of any interest in any obligation of any Reference Entity. Accordingly none of the Issuer, the Note Trustee, the Security Trustee or any other Secured Party will have any recourse against the issuer and/or guarantor of any Reference Obligation (or any other credit support provided in relation thereto). The Issuer will have no right either directly or via the Portfolio Swap Counterparty to require the Portfolio Swap Counterparty to enforce compliance by the issuer and/or guarantor of a Reference Obligation with the terms of a Reference Obligation or any rights of set-off against the issuer and/or guarantor of a Reference Obligation or any voting rights with respect to any Reference Obligation. The Issuer will not directly benefit from any underlying assets or enhancements supporting a Reference Obligation and will not have the benefits of any remedies that would normally be available to a holder of a Reference Obligation. The obligations of the Issuer under the Portfolio Credit Swap exist regardless of whether the Portfolio Swap Counterparty has any legal or beneficial interest in any obligations of any Reference Entity.

The Portfolio Swap Counterparty will not be obliged to account for any payments or amounts that it may receive in respect of any Reference Obligation of a Reference Entity.

No Agency Relationship

Neither the Portfolio Swap Counterparty nor any of its affiliates is acting as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders. In performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders. In exercising, or failing to exercise, any of their respective rights or powers arising under or in connection with their respective holdings (if any) of any obligation of any Reference Entity, neither the Portfolio Swap Counterparty nor its affiliates will act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders.

Dealings with respect to Reference Entities and their Obligations

Reference Entities may include entities to which the Portfolio Swap Counterparty and/or the other Transaction Participants and their respective affiliates have, or do not have, credit exposure. Although the Portfolio Swap Counterparty and/or the

other Transaction Participants and their respective affiliates may have entered into and may from time to time enter into business transactions with Reference Entities, the Portfolio Swap Counterparty and/or the other Transaction Participants and their respective affiliates at any time may or may not hold obligations of or have any business relationship with any particular Reference Entity.

Each of the Portfolio Swap Counterparty and each other Transaction Participant and their respective affiliates may:

- (a) deal in any obligation of any Reference Entity;
- (b) accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with any Reference Entity and any investment manager or trustee related to any obligation of any Reference Entity; and
- (c) act, with respect to transactions described in the preceding clauses (a) and (b) in the same manner as if the Portfolio Credit Swap and the Notes did not exist and without regard as to whether any such action might have an adverse affect on any obligation of any Reference Entity, any investment manager or trustee related to such obligation of any Reference Entity, the Issuer or the Noteholders.

Such parties may accordingly derive revenues and profits from such activities without any duty to account therefor.

Information Regarding the Reference Portfolio

No Investigation

No investigations, searches or other inquiries have been made by or on behalf of the Issuer or the Transaction Participants in respect of any Reference Entity and no representations or warranties have been or are given by the Issuer or any Transaction Participant in respect thereof. None of the Issuer or any Transaction Participant will have any responsibility or duty to make any such investigations, to keep any such matters under review or to provide the investors with any information in relation to such matters or to advise as to the attendant risks.

No Representations

None of the Issuer or any other Transaction Participant makes any representation or warranty, express or implied, in respect of any Reference Entity or Reference Obligation.

No further Information

The Issuer and any other Transaction Participant may acquire information with respect to a Reference Obligation, the issuer and/or guarantor thereof, or with respect to any other Transaction Participant that may be material in the context of the Notes and may or may not be publicly available or known. None of such persons will be under any obligation to make such information (whether or not confidential) available to Noteholders or any other person save as expressly provided in the Transaction Documents.

Collateral Risk

Payments of amounts of interest and principal due on the Notes depends upon, among other things, the performance of the GIC Provider under the Investment Agreement and the GIC Guarantor under the GIC Guarantee. If the GIC Provider defaults with respect to its payment obligation under the Investment Agreement, recourse may be had against the GIC Guarantor pursuant to the GIC Guarantee for the prompt payment of the amounts owing to the Issuer by the GIC Provider under the Investment Agreement. If the GIC Guarantor defaults under the GIC Guarantee, there can be no assurance that there will be sufficient funds available to pay all amounts of principal and interest on the Notes.

If the Applicable Collateral Arrangement at any time is or includes a Repo Arrangement, payment of amounts of interest and principal due on the Notes depends upon, among other things, the performance of the Eligible Repo Counterparty under the Repurchase Agreement and the Repo Guarantor under the Repo Guarantee. If the Eligible Repo Counterparty defaults and the Repurchase Agreement is terminated, the obligation of the Eligible Repo Counterparty to pay the Outstanding Repurchase Price under the Repurchase Agreement will be accelerated and netted against the obligation of the Issuer, in such circumstances, to pay the aggregate Market Value of the Repo Collateral (together with accrued Income thereon) to the Eligible Repo Counterparty. It should be noted that at any time the Repo Collateral may be comprised in whole or in part by Eligible Investments which are denominated in Dollars, Euro and/or Sterling. There can be no assurance that the aggregate Market Value of the Repo Collateral will equal or exceed the Outstanding Repurchase Price which is to be paid in Euro. If the aggregate Market Value of the Repo Collateral does not equal or exceed the Outstanding Repurchase Price, recourse may be had against the Repo Guarantor pursuant to the terms of the Repo Guarantee for the prompt payment of any amount due and owing to the Issuer by the Eligible Repo Counterparty if such amount is not paid in accordance with the terms of the Repurchase Agreement. If the Repo Guarantor defaults under the Repo Guarantee, the only amounts available for application by the Security Trustee pursuant to the Enforcement Order of Priority may be the net proceeds realised by the sale of the Repo Collateral and thus there can be no assurance that there will be sufficient funds available to pay all amounts of interest and principal due on the Notes.

Features of the Notes

The amount of principal repayable in respect of the Notes at any time will be limited to the Adjusted Principal Balance of the Notes. The Adjusted Principal Balance of the Notes is credit-linked to the performance of the Reference Portfolio as described below. Noteholders will be exposed to the credit risks of the Reference Entities (and the Reference Obligations thereof) to the full extent of their investment in the Notes and must rely solely on the Collateral Principal Proceeds, subject to the payment of Cash Settlement Amounts and certain expenses from such sources, for the payment of the Adjusted Principal Balance of the Notes. The amount of principal repaid upon any redemption of any Class of Notes may therefore be less than the amount invested and in certain cases may be zero.

Subordination

Payments of principal and interest in respect of a Class of Notes will not be made until all respective payments of principal and interest due in respect of all Classes of Notes more senior than it are made.

Accordingly, the rights to receive payments in respect of the Class H Notes are junior and subordinate to the rights to receive payments in respect of the Class G Notes, the Class F Notes, the Class E Notes, the Class D Notes, the Class C Notes, the Class B Notes, the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class G Notes are junior and subordinate to the rights to receive payments in respect of the Class F Notes, the Class E Notes, the Class D Notes, the Class C Notes, the Class B Notes, the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class F Notes are junior and subordinate to the rights to receive payments in respect of Class E Notes, the Class D Notes, the Class C Notes, the Class B Notes, the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class E Notes are junior and subordinate to the rights to receive payments in respect of the Class D Notes, the Class C Notes, the Class B Notes, the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class D Notes are junior and subordinate to the rights to receive payments in respect of the Class C Notes, the Class B Notes, the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class C Notes are junior and subordinate to the rights to receive payments in respect of the Class B Notes, the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class B Notes are junior and subordinate to the rights to receive payments in respect of the Class A2 Notes and the Class A1 Notes. The rights to receive payments in respect of the Class A2 Notes are junior and subordinate to the rights to receive payments in respect of the Class A1 Notes. The rights to receive payments in respect of the Class A1 Notes are senior to the rights to receive payments in respect of the Class A2 Notes and each other Class of Notes.

Allocations of Loss

To the extent that any Noteholder Contribution is applicable to any Cash Settlement Amount payable by the Issuer, the Adjusted Principal Balance of one or more Classes of Notes will be reduced, automatically and without any commensurate payment to such Noteholders, in the Reverse Order of Seniority, until the Adjusted Principal Balance of each such Class is reduced to zero.

Interest Entitlement

The amount of interest payable to Noteholders will be determined by reference to the Adjusted Principal Balance of the Notes and reductions in the Adjusted Principal Balance of the Notes will reduce the amount of interest payable on such Notes accordingly.

If an amount of the Adjusted Principal Balance of the Notes is reinstated pursuant to the Conditions, no retrospective payments of interest will be payable in respect of such reinstated amount.

If any Notes remain outstanding on or after the Termination Date, such Notes will continue to accrue interest at a Rate of Interest of EURIBOR flat only.

Interest payments due on the Notes will be funded by interest earned on the Principal Collections Account and the Interest Collections Account, together with payments by (i) the Portfolio Swap Counterparty of Portfolio Credit Swap Premium (pursuant to the Portfolio Credit Swap), (ii) the GIC Provider (or the GIC Guarantor pursuant to the GIC Guarantee) of GIC Interest (pursuant to the Investment Arrangement), (iii) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Eligible Repo Counterparty (or the Repo Guarantor pursuant to the Repo Guarantee) of Repo Premium (pursuant to the Repurchase Agreement), and (iv) if the Applicable Collateral Arrangement is or includes a TRS Arrangement, any Eligible TRS Counterparty of TRS Premium (pursuant to any TRS Arrangement), subject to the payment of certain expenses from such funds.

Redemption

To the extent not previously paid or reduced, the aggregate Adjusted Principal Balance of, and accrued and unpaid interest on, the Notes will be due and payable on the Payment Date scheduled to fall in April, 2040 (the "**Legal Maturity Date**").

The date on which payment of principal of the Notes is scheduled to commence is the Scheduled Amortisation Commencement Date, being the Payment Date scheduled to fall in April, 2017 (the "**Scheduled Amortisation Commencement Date**"). Payment of principal of the Notes may commence prior to the Scheduled Amortisation Commencement Date as a result of the occurrence of the Tax Redemption Date, the Enforcement Date, the Optional Termination Date or the Early Termination Date.

To the extent that the Notes are redeemed prior to the Legal Maturity Date the holders of the Notes will bear the risk of reinvesting principal payments at a yield equal to the yield on their Notes.

Amortised Redemption

On the earlier to occur of (a) the Scheduled Amortisation Commencement Date or (b) the Termination Date, and on each Payment Date thereafter the Issuer will, subject to any prior ranking claims in accordance with the Order of Priority, apply Collateral Principal Proceeds (realised in accordance with the Collateral Realisation Procedures) in an amount equal to the Distributable Principal Amount together with Interest Collections available therefor in redemption of the Notes in the Order of Seniority and, within each Class, on a *pro rata* basis until they are fully redeemed (at their Redemption Price together with any accrued but unpaid interest thereon). On each Redemption Date (other than the Legal Maturity Date) the amount of funds available for the payment of principal on the Notes will be limited to the Distributable Principal Amount for that date being an amount equal to the Adjusted Principal Balance of the Notes less the Maximum Noteholder Contribution Liability. The Maximum Noteholder Contribution Liability (and thus the Distributable Principal Amount) on any date will be dependent upon the actual and potential liabilities of the Issuer under the Portfolio Credit Swap. The liabilities of the Issuer under the Portfolio Credit Swap will amortise on and after the earlier of the Scheduled Amortisation Commencement Date and the Termination Date pursuant to certain mandatory amortisation provisions of the Portfolio Credit Swap and at the option of the Portfolio Swap Counterparty.

If and for so long as a positive Maximum Noteholder Contribution Liability exists, the Notes or a portion thereof will remain outstanding.

Amortisation

On the Scheduled Amortisation Commencement Date, all Reference Entities other than: (a) any ABS Reference Entity; (b) any Defaulted Corporate Reference Entity; and (c) any PF Reference Entity, will be removed from the Reference Portfolio.

On the Termination Date, all Reference Entities other than: (a) any Defaulted Reference Entity; (b) any ABS Reference Entity in respect of which a Potential Failure to Pay has occurred and the Conditions to Settlement remain capable of being satisfied; and (c) any PF Reference Entity in respect of which a Credit Event Notice has been delivered and the Conditions to Settlement have been satisfied or remain capable of being satisfied, will be removed from the Reference Portfolio.

After the delivery of a Credit Event Notice in respect of an ABS Reference Entity (other than Proxy ABS Reference Entities), the maximum liability of the Issuer in respect of such ABS Reference Entity under the Portfolio Credit Swap is the sum of each Reference Obligation Notional Amount of each Reference Obligation thereof less, in each case, the Distribution Amount, if any, applicable thereto.

The timing of any repayments of principal in respect of the Reference Obligations will depend upon the structural features of such obligations including, without limitation, early redemption provisions, deferral of redemption provisions, credit enhancement features, the frequency and exercise of any optional redemption features, enforcement of security (if any), the actual level of recoveries following enforcement and the quality of asset/collateral administrators and managers and global, regional and industry-specific economic conditions.

Optional Amortisation through Removals

The Portfolio Swap Counterparty will remain entitled on or after the Scheduled Amortisation Commencement Date to remove (but not replace) any Reference Entity or reduce (but not increase) the Reference Entity Notional Amount thereof or any Reference Obligation Notional Amount relating thereto.

Optional Termination Date

The Portfolio Swap Counterparty may, but is not obliged to, designate, by not less than 5 nor more than 60 Business Days written notice to the Issuer, the Payment Date scheduled to fall in April, 2012 or any Payment Date falling thereafter as the Optional Termination Date under the Portfolio Credit Swap.

Tax Redemption

Upon the occurrence of a Tax Termination Event (as described herein) the Issuer may, subject to certain conditions, designate any Payment Date as the Tax Redemption Date on giving not less than 30 nor more than 60 calendar days notice to the Noteholders (which notice will be irrevocable). If the repayment of principal of the Notes has not commenced prior to the Tax Redemption Date, the repayment of principal of the Notes will commence on such date in accordance with the provisions described herein.

Early Termination Date

If the repayment of principal of the Notes has not commenced prior to the designation of an Early Termination Date (as described herein) under the Portfolio Credit Swap, the repayment of principal of such Notes will, subject to the application of any enforcement procedures, commence in accordance with the provisions described herein.

Enforcement

If an Event of Default (other than pursuant to Condition 9.1(f) (*Enforcement*)) or a Collateral Acceleration Event occurs and is continuing and has not been waived by the Note Trustee or a Swap Illegality Event occurs, the Note Trustee may, at any

time, and will if so directed in writing by an Extraordinary Resolution of the Controlling Class or in writing by Noteholders holding 50 per cent. or more of the Initial Principal Balance of the Controlling Class (subject to being indemnified and/or secured to its satisfaction) deliver a Note Default Notice or a Collateral Acceleration Note Redemption Notice, as the case may be, to the Issuer declaring the Notes to be immediately due and payable. The Notes will become immediately due and payable at their respective Redemption Amounts, together with any accrued but unpaid interest on such Notes.

Following the occurrence of an Enforcement Event the Security Trustee will, at its discretion or (subject to being indemnified and/or secured to its satisfaction) if so directed by an Instructing Party and unless it has already given such notice at such time, give an Enforcement Notice to the Issuer declaring the Security to be enforceable.

The Security will become enforceable on the Enforcement Date. The Enforcement Date will occur and the Notes will become immediately due and payable at their respective Redemption Amounts (together with accrued but unpaid interest thereon) on the earlier of (a) the Note Default Notice Delivery Date or the Note Redemption Notice Delivery Date (as the case may be) and (b) the date that an Enforcement Notice is deemed to be delivered to the Issuer pursuant to the Security Trust Deed. If the repayment of principal of the Notes has not commenced prior to the Enforcement Date, the repayment of principal of such Notes will commence on such date in accordance with the provisions described herein.

Gross-up Provisions

All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any Taxes unless such withholding or deduction is required by law. In that event, but only if the Issuer has (at the discretion of the Portfolio Swap Counterparty) been specifically provided with funds for the payment thereof by and at the election of the Portfolio Swap Counterparty and subject to certain exceptions described in the Conditions, the Issuer will pay such Additional Amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required. There can be no guarantee that the Portfolio Swap Counterparty will elect to provide the Issuer with funds for such purpose.

If the Portfolio Swap Counterparty elects not to pay such additional amounts, the Issuer will not be required to gross up any payments to the Noteholders and will withhold or deduct from any such payments any amounts on account of tax where so required by law or any relevant taxing authority.

Limited Liquidity; Restrictions on Transfer

There is currently no market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the holders of the Notes with liquidity or that it will continue for the life of the Notes. Moreover, the limited scope of information available to the Issuer, the Note Trustee, the Security Trustee and the Noteholders regarding the Reference Entities and the nature of any Credit Event, including uncertainty as to the extent of any reduction of the Adjusted Principal Balance of the Notes if a Credit Event has occurred but, at such time, any Credit Protection Valuation has not been determined, may adversely affect the liquidity of the Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes. The Notes have not been and will not be registered under the Securities Act, any United States state securities laws or the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws. No Note may be sold or transferred unless such sale or transfer (i) is exempt from the registration requirements of the Securities Act and applicable state securities laws, (ii) in the case of any Notes other than Class H Notes, will not constitute or result in a non exempt "prohibited transaction" under ERISA or Section 4975 of the Code, (iii) in the case of the Class H Notes only, will not be to an employee benefit plan as defined in and subject to ERISA, a plan as described in and subject to Section 4975 of the Code, an entity using the assets of or acting on behalf of any such plan, or an entity whose underlying assets are deemed to include plan assets of any such plan, and (iv) is made to (A) a non-U.S. person outside the United States, or (B) a "qualified purchaser" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) that is also a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act). Transferees of beneficial interests in a Global Rule 144A Note or Global Reg S Note will be deemed to have made certain representations set forth in the Note Trust Deed and described herein. The Issuer will not provide registration rights to any purchaser of the Notes and neither the Issuer, the Note Trustee, nor any other person may register the Notes under the Securities Act or any other securities laws. See "*Restrictions on Purchase and Transfer of the Notes*". Such restrictions on the transfer of the Notes and of interests therein may further limit their liquidity.

Leveraged Investment

Pursuant to the Portfolio Credit Swap and each Inner Tranche Portfolio, the Issuer assumes credit risk in respect of portfolios which are far greater in notional size than the maximum amount of Cash Settlement Amounts which the Issuer is potentially liable to pay in respect thereof. In the case of the Inner Tranche Portfolios, the Tranche Thickness Amount of each Inner Tranche Portfolio constitutes 6 per cent. of the notional size of that Inner Tranche Portfolio. Accordingly the initial notional size of each Inner Tranche Portfolio may be as large as EUR 1,750,000,000 and the Aggregate Initial Inner Tranche Portfolio Size may be as large as EUR 17,500,000,000.

The Portfolio Credit Swap is a leveraged investment. Use of leverage is a speculative investment technique and generally increases an investor's opportunity for gain or loss. The leverage created through the use of the Inner Tranche Portfolios enables the Issuer to offer the Notes at their respective Rates of Interest, which are higher than the rates the Issuer would have been able to provide had no leverage been used. In exchange for receiving such higher rates, Noteholders are exposed to the credit risk of a significantly larger Reference Portfolio than would be the case had no leverage been used. Prior to making an

investment in the Notes, investors should make their own determination that they are being sufficiently compensated for the risks inherent in the Reference Portfolio.

Volatility

The market value of the Notes is likely to vary substantially over time and may be significantly less than par (or even zero) in certain circumstances.

Conflicts between Classes

Various potential and actual conflicts of interest may arise between the interests of the Noteholders of one Class of Notes, on the one hand, and Noteholders of any other Class of Notes, on the other. The Note Trustee is obliged, in certain circumstances, to take into account the interests of the Noteholders of the Controlling Class as a class in taking any discretionary action or making any discretionary determination with respect to the Charged Assets in priority to the interests of the other Classes. In the case of a conflict arising that does not concern the Controlling Class, the Note Trustee is obliged, in certain circumstances, to take into account the interests of the Noteholders of the most senior Class (in the Order of Seniority) affected by such conflict (as one class and not individually).

In certain circumstances the Security Trustee will, subject to full indemnification, be obliged to act at the direction of the Note Trustee, which may act in the interests of the Controlling Class without regard to the interests of the Noteholders of other Classes.

As more fully set out in the section above entitled "*Satisfaction of the Moody's Trading Model Test*", where the Moody's Metric Measure of a Class of Notes is greater than the Moody's Metric Threshold of such Class of Notes prior to the commencement of a Replacement Sequence which includes a given Replacement, the Portfolio Swap Counterparty shall only be entitled to make such Replacement if, *inter alia*, after giving effect to such Replacement together with any other Replacements made in the same Replacement Sequence: (i) the Moody's Metric Measure of such Class of Notes is reduced to less than or equal to the Moody's Metric Threshold of such Class of Notes; (ii) the Super-Senior Trading Test is satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or (iii) the Controlling Class Trading Test is satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby.

The Controlling Class Trading Test is satisfied as at any time (or, if a Controlling Class Approved Replacement Period has been specified, during such Controlling Class Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to the Note Trustee (with a copy to Moody's) that the Noteholders of the Controlling Class have passed a resolution in respect of an Approved Trading Matter in accordance with the Conditions consenting to either: (i) such Replacement; or (ii) the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during such Controlling Class Approved Replacement Period.

A resolution in respect of an Approved Trading Matter by way of a Special Written Resolution of the holders of Notes of the Controlling Class or a resolution duly passed at any meeting of the holders of Notes of the Controlling Class, will be binding on all Noteholders (whether or not, in the case of a resolution duly passed at any meeting of the holders of Notes of the Controlling Class, all Classes were present at such meeting) and each holder of Notes will be bound to give effect to it accordingly. Potential investors are referred to the section entitled "*Terms and Conditions of the Notes*" in relation to the procedures for passing a resolution in respect of an Approved Trading Matter.

None of the holders of the Class of Notes constituting the Controlling Class shall act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer, the other Noteholders of any Class (including, for the avoidance of doubt, the Controlling Class) or the Portfolio Swap Counterparty, but will take such actions as are permitted under the Conditions which each of them deems to be in its interests, which may be adverse to the interests of the Issuer, the other Noteholders (including, for the avoidance of doubt, the Controlling Class) or the Portfolio Swap Counterparty. None of the holders of the Class of Notes constituting the Controlling Class shall have any duty whatsoever to consider the effect of its actions or failure to take action on the Issuer, the other Noteholders (including, for the avoidance of doubt, the Controlling Class) or the Portfolio Swap Counterparty.

Exchange rate risks

An investment in a Note denominated and payable in a foreign currency entails significant risks to an investor that would not be involved if a similar investment were made in a note denominated and payable in such Noteholder's home currency. These risks include, without limitation, the possibility of significant changes in the rates of exchange between the foreign currency and such Noteholder's home currency and generally depend on economic and political events over which the Issuer has no control.

Payments via DTC

Repayments of principal and payments of interest on the Notes will be made in the currency denomination of the relevant Note **provided that** if and for so long as any non-U.S. dollar Rule 144A Notes are represented by a Global Rule 144A Note and the Payee in respect thereof has not directed, in accordance with the Conditions, that such payments be made in the relevant currency denomination to a Permitted Account, the obligations upon the Issuer to make payments of principal or interest pursuant to the Conditions and in accordance with Condition 7.1 (*Payments of Principal and Interest*) in respect of such Notes will be satisfied by the payment to or to the order of DTC or its nominee of the U.S. dollar equivalent of any such

payment converted pursuant to, and at a rate determined in accordance with, the provisions of the Agency Agreement and such U.S. dollar amount will be net of the costs of conversion. The amount of U.S. dollars which the Holder of a Rule 144A Note receives in respect of each non-U.S. dollar currency unit of principal or interest payable or repayable on the Notes will vary over time in accordance with fluctuations in the non-U.S. dollar currency and U.S. dollar exchange rate as determined from time to time pursuant to the provisions of the Agency Agreement.

Transaction Participant Risk

Reliance on Creditworthiness and Performance of Transaction Participants

The ability of the Issuer to meet its obligations under the Notes will be dependent, where applicable, upon the payment of all sums due from the Portfolio Swap Counterparty under the Portfolio Credit Swap, the payment (or procurement of payment) by the GIC Provider (or upon default of the GIC Provider, the GIC Guarantor pursuant to the terms of the GIC Guarantee) of GIC Interest and all other moneys payable under the Investment Agreement and the payment (or procurement of payment) by any other Applicable Collateral Counterparty under the Applicable Collateral Arrangement (or upon default of the Applicable Collateral Counterparty, the Applicable Collateral Guarantor pursuant to the terms of the Applicable Collateral Guarantee) of any amounts payable under the Applicable Collateral Arrangement, the payment of all sums due under the Account Bank Agreement by the Account Bank and payment by the Paying Agents and the Expenses Agent of payments required pursuant to the Agency Agreement and upon the performance by all the Transaction Participants of their respective obligations under the Transaction Documents.

The Noteholders are exposed, among other things, to the creditworthiness of the Portfolio Swap Counterparty, the GIC Provider, the GIC Guarantor, any other Applicable Collateral Counterparty, any other Applicable Collateral Guarantor, any Eligible Custodian, the Account Bank, the Expenses Agent, the Exchange Rate Agent and the Paying Agents.

None of the Transaction Participants (other than the Paying Agents and the Exchange Rate Agent and pursuant to such roles only) are obliged to make payments on the Notes. None of the Issuer or any other Transaction Participant guarantees the value of the Notes at any time or is obliged to make good on any losses suffered as a result of Credit Events or otherwise (other than, in the case of the Issuer, as is provided in the Conditions).

Conflicts

Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and any one or more of the Transaction Participants on the other hand, as a result of the various businesses and activities of the Transaction Participants, and none of such persons is required to resolve such conflicts of interest in favour of the Noteholders.

Roles of Transaction Participants

Each of KBC Cayman, KBC Bank, The Bank of New York and BNY Fund Services (Ireland) Limited are acting in a number of capacities in connection with the transactions described herein.

KBC Cayman will act as Portfolio Swap Counterparty under the Portfolio Credit Swap. KBC Hong Kong will act as GIC Provider under the Investment Agreement. KBC Bank will act as GIC Guarantor under the GIC Guarantee, as Bookrunner under the Subscription Agreement, as Calculation Agent under the Portfolio Credit Swap and the Swap Agency Agreement, as Administrator under the Administration and Cash Management Agreement and as Expenses Agent under the Agency Agreement. The Bank of New York, acting through its principal office in the United Kingdom, will act as Account Bank under the Account Bank Agreement, as Principal Paying Agent, Agent Bank and Registrar under the Agency Agreement and as Independent Confirmation Agent under the Swap Agency Agreement. The Bank of New York is acting as Paying Agent and Transfer Agent in the United States and as the Exchange Rate Agent under the Agency Agreement. BNY Fund Services (Ireland) Limited will act as Paying Agent and Transfer Agent in Ireland under the Agency Agreement.

Each of KBC Cayman, KBC Bank, KBC Hong Kong, The Bank of New York and BNY Fund Services (Ireland) Limited and/or such affiliates, acting in such capacities in connection with such transactions, will have only the duties and responsibilities expressly agreed to by such entity in the relevant capacity and will not, by virtue of its or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity.

Whenever required to act or to exercise judgment in its role as the Calculation Agent under the Portfolio Credit Swap, KBC Bank shall do so in good faith and in a commercially reasonable manner. In its role as the Calculation Agent, KBC Bank will determine any Cash Settlement Amounts to be paid to the Portfolio Swap Counterparty (although the calculation of such amounts will be subject to verification by the Independent Verification Agent).

Other Business of the Portfolio Swap Counterparty

KBC Cayman, KBC Bank and their respective affiliates may engage in other business and furnish investment management, advisory and other types of services to other clients whose investment policies differ from those followed by KBC Cayman under the Portfolio Credit Swap and from which they may derive revenues and profits in addition to the fees stated in the various Transaction Documents, without any duty to account therefor. KBC Cayman, KBC Bank and their respective

affiliates may make recommendations to or effect transactions with other clients which may differ from those effected with respect to the Portfolio Credit Swap.

Conflicts between the Portfolio Swap Counterparty, the Applicable Collateral Counterparties and the Noteholders

Under the Security Documents, the Security Trustee will hold a security interest in the Charged Assets for the benefit of, amongst others, the Noteholders whose rights on an enforcement of the security interest will be subordinate to, amongst other things, the prior rights of any Eligible Repo Counterparty in respect of the Issuer's obligations (if any) to such Eligible Repo Counterparty under the Repurchase Agreement (if any), the prior rights of the Portfolio Swap Counterparty in respect of the Issuer's obligations to the Portfolio Swap Counterparty under the Portfolio Credit Swap (other than in respect of the Swap Termination Fee), the prior rights of the GIC Provider in respect of the Issuer's obligations to the GIC Provider under the Investment Agreement and the prior rights of any Eligible TRS Counterparty in respect of the Issuer's obligations to such Eligible TRS Counterparty under the TRS Arrangement (if any).

The Security Trustee is obliged, in certain circumstances, to take into account the interests of the Portfolio Swap Counterparty and/or the Eligible Repo Counterparty (if any) and/or the GIC Provider and/or the Eligible TRS Counterparty (if any) in taking any discretionary action or making any discretionary determination with respect to the Charged Assets in priority to the interests of the Noteholders. In certain circumstances the Security Trustee will, subject to full indemnification, be obliged to act at the direction of the Portfolio Swap Counterparty and/or the Eligible Repo Counterparty (if any) and/or the GIC Provider and/or the Eligible TRS Counterparty (if any), and the Portfolio Swap Counterparty, the Eligible Repo Counterparty (if any) and/or the GIC Provider and/or the Eligible TRS Counterparty (if any) each retain a veto with respect to certain matters relating to such Notes and the other Transaction Documents without regard to the interests of the Noteholders.

BNY Corporate Trustee Services Limited

On 2 October, 2006 J.P. Morgan Corporate Trustee Services Limited changed its name to BNY Corporate Trustee Services Limited ("**BNY**") and it is intended that shortly thereafter it will become a wholly owned subsidiary of BNY Corporate Holdings (UK) Limited.

BNY is a trust corporation and administers a substantial and diverse portfolio of corporate trusteeships for both domestic and foreign companies and institutions.

Limited Recourse to the Assets of the Issuer

Limited Assets

The Issuer has no substantial assets or sources of revenue other than its rights to or in the Charged Assets.

Limited Recourse

The Notes will be limited recourse obligations of the Issuer payable solely out of the Charged Assets pledged, charged or otherwise secured by the Issuer to secure such Notes.

On an enforcement of the Security granted by the Issuer in favour of the Security Trustee, the rights of the Noteholders to be paid amounts due under the Notes and out of Repo Proceeds (if any) will be subordinate to, amongst others:

- (a) the prior rights of the Security Trustee and any Receiver to their respective Expenses and the Operating Creditors in respect of certain Expenses; and
- (b) the prior rights of the Portfolio Swap Counterparty in respect of Cash Settlement Amounts owing by the Issuer under the Portfolio Credit Swap.

If the proceeds of enforcement of the Security for the benefit of the Noteholders are insufficient to make payments on the Notes, no other assets will be available for payment of such deficiency and the obligations of the Issuer to pay such deficiency will be extinguished.

None of the Transaction Participants (other than the Paying Agents and pursuant to that role only) or any of their respective affiliates or the Issuer's affiliates or any other person or entity will be obliged to make payments on the Notes.

Non Petition

None of the Noteholders, the Note Trustee, the Security Trustee or any other Secured Party will be entitled to petition or take any other step for the winding-up, reorganisation, liquidation, bankruptcy or insolvency of the Issuer for so long as the Notes are outstanding or for one year and a day after all the Notes have been paid in full.

Miscellaneous

Ratings

A rating by a Rating Agency is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time by that Rating Agency. There can be no guarantee that any of the expected ratings will remain applicable at any time at which the Notes remain outstanding.

Listing

Application has been made to the IFSRA, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market. The regulated market of the Irish Stock Exchange is a regulated market for the purposes of the Investment Services Directive (93/22/EEC). There can be no assurance that any such listing will be obtained or that, if it is obtained, that it will be maintained by the Issuer.

The Issuer has covenanted and agreed that, so long as any of the Notes remain outstanding, it will at all times use its reasonable endeavours to obtain and maintain the admission of the Notes to the Official List of the Irish Stock Exchange and trading on its regulated market or, if it is unable to do so having used its reasonable endeavours or if the maintenance of admission to the Official List of the Irish Stock Exchange and trading on its regulated market is determined by the Issuer to be unduly burdensome or impractical, use its reasonable endeavours to obtain and maintain an admission, quotation or listing of the Notes on or by such other stock exchange (which may, for the avoidance of doubt, be outside the European Union), competent listing authority and/or quotation system and trading on its regulated or non-regulated market as the Issuer may decide.

European Union Directive on Taxation of Savings Income

Under the EC Council Directive 2003/48/EC on taxation of savings income, Member States of the European Union are required, from 1 July, 2005, to provide to the tax authorities of another Member State of the European Union details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, 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-European Union countries and territories including Switzerland and Jersey have agreed to adopt similar measures (a withholding system in the case of Switzerland and Jersey) with effect from the same date.

Change of Law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on the legal, tax, administrative practice and regulatory treatment of Belgium, Cayman Islands, England and Wales, Jersey, Channel Islands and the United Kingdom in effect as at the date of this Prospectus. No assurance can be given as to the effect of any possible judicial decision or change to the law, tax, administrative practice or regulatory treatment of any relevant jurisdiction after the date of this Prospectus.

Interpretation of the Credit Derivatives Definitions

Credit default swaps are relatively new instruments. The International Swaps and Derivatives Association, Inc. ("**ISDA**") has published the 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions (together, the "**2003 Definitions**") in order to facilitate transactions and promote uniformity in the credit derivatives market. Past events have shown that fact situations can arise in respect of which the views of market participants may differ as to how the 2003 Definitions should be interpreted. Accordingly, the Issuer is subject to the risk that fact situations could arise in which the 2003 Definitions could be interpreted in a manner that would be adverse to the Issuer.

ERISA Considerations

Although no assurances can be made, the conditions and restrictions on transfers of the Notes set forth under the section titled "**ERISA Considerations**" below are intended to prevent the assets of the Issuer from being treated as "plan assets" for purposes of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"). If the assets of the Issuer were deemed to be "plan assets," certain transactions that the Issuer may have entered into, in the ordinary course of business, might constitute nonexempt prohibited transactions under ERISA and/or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), and might have to be rescinded. Each purchaser or transferee of Notes (other than Class H Notes) that is acting on behalf of or is deemed to be using the assets of an employee benefit plan as defined in and subject to ERISA, or a plan as described in and subject to Section 4975 of the Code (collectively, a "**Plan**"), will be deemed to represent and warrant that its acquisition and holding of such Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code. Each purchaser or transferee of Class H Notes will be deemed to represent and warrant that it is not, and is not acting on behalf of, a Plan. See the section titled "**ERISA Considerations**" below for a more detailed discussion of certain ERISA-related considerations with respect to an investment in the Notes.

The Issuer and its Industry

The Issuer is a special purpose entity incorporated under the laws of Jersey, Channel Islands. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the Issuer issuing the Notes. It must be distinctly understood that, in giving this consent, the Jersey Financial Services Commission takes no responsibility for the financial soundness of the Issuer or for the correctness of any statement made, or opinion expressed, with regard to it. The Issuer will operate without supervision by any authority in any jurisdiction other than Jersey, Channel Islands. There is no assurance, however, that regulatory authorities in one or more jurisdictions would

not take a contrary view regarding the applicability of that jurisdiction's laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

The Issuer's sole business is the raising of money by issuing the Notes for the purposes of purchasing assets and entering into related derivatives and other contracts to provide, on and from the Registry Compilation Date, leveraged credit protection in respect of a Reference Portfolio of issuers and obligors of corporate debt and asset backed securities, certain unfunded credit default swap exposures and issuers and obligors of project finance debt specified in the Reference Registry as it may be amended from time to time. Subject to the occurrence of one or more Credit Events and certain other conditions, the Issuer may become liable to pay Cash Settlement Amounts to the Portfolio Swap Counterparty. Through the use of leverage, a speculative investment technique which generally increases an investor's opportunity for gain or loss, the Issuer assumes credit risk in respect of portfolios which are far greater in notional size than the maximum amount of Cash Settlement Amounts which the Issuer is potentially liable to pay in respect thereof. The Issuer has no material assets other than the Charged Assets.

The Issuer has covenanted that it will not, save to the extent provided in, anticipated or permitted by the Transaction Documents or with the prior written consent of the Note Trustee and the Security Trustee, *inter alia*: (a) engage in any business or other activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage in; (b) declare or pay any dividend or make any other distribution to its shareholders in any year in aggregate in excess of the amount of the Issuer's Transaction Fee for that year; (c) have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment; (d) have its Centre of Main Interests or its principal establishment (as defined in the Belgian PIL Code) or conduct the management of its affairs in any Member State of the European Union including holding any board meetings in any Member State of the European Union; (e) incur or permit to subsist any indebtedness for borrowed money otherwise than in respect of the Notes or give any guarantee or indemnity or assume any liability except for its reasonable expenses incurred in the ordinary course of its business; (f) sell, factor, discount, transfer, convey, assign, lend or otherwise dispose of any Charged Assets or any right, title or interest therein or agree or purport to do so; (g) create or permit to exist upon or affect any of the Charged Assets, any mortgage, sub-mortgage, assignment, assignation, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation or other encumbrance or any other security interest whatsoever or otherwise permit the validity or effectiveness of the Security Documents, or the priority of any Security created thereby, to be amended, terminated, postponed or discharged; (h) consolidate or merge with any other person or convey or transfer its properties or assets substantially in their entirety to any person or be acquired by any other entity; (i) amend or consent to the amendment of any Transaction Document or permit any person with obligations under any Transaction Document to be released from such obligations; (j) issue any further shares to any other entity other than to the share trustees for the time being of the Issuer (or their nominees) or to alter any rights to the shares in existence at the date hereof; (k) open or have an interest in any account whatsoever with any bank or other financial institution; (l) purchase, subscribe for or otherwise acquire any shares (or other securities or any interest therein) in, or incorporate, any other company or agree to do any of the foregoing; (m) amend or alter its memorandum or articles of association; or (n) commingle its assets with those of any other person.

The consent of the Jersey Financial Services Commission to the Issuer issuing the Notes is subject to a number of conditions, including that there can be no change in the Administrator, the Bookrunner, the Portfolio Swap Counterparty or the Security Trustee or in the ownership of the Issuer without the prior approval of an officer of the Jersey Financial Services Commission.

Since the date of its incorporation, the Issuer has not commenced business (except for matters relating to the Transaction Documents). The Issuer is a newly incorporated entity and has no prior operating history and has not published any annual financial statements to date. It is anticipated that the first published audited annual financial statements of the Issuer will be in respect of the year ending 31 December, 2007.

The Issuer and/or the holders of the Notes, as applicable, will be subject to a number of risks set out in this section, including, in particular, "*Reference Portfolio Risk*", "*Collateral Risk*", "*Features of the Notes*", "*Transaction Participant Risk*" and "*Limited Recourse to the Assets of the Issuer*".

The Issuer believes that the risks described above are the principal risks inherent in the transaction for the Noteholders, but the inability of the Issuer to pay interest and principal on the Notes may occur for other reasons and the Issuer does not represent that the above statements regarding the risk of holding the Notes are exhaustive. Although the Issuer believes that the various structural elements described in this Prospectus lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient to ensure payment to Noteholders of interest or principal in connection with the Notes on a timely basis or at all.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes as they will be scheduled to the Note Trust Deed and would be endorsed on the Notes if delivered in definitive form (subject to completion and amendment). While any Notes remain in global form they will be governed by these terms and conditions, save to the extent that such terms and conditions are appropriate only to Notes in definitive form. The meaning of any term referred to but not fully defined in these terms and conditions may be ascertained by reference to other sections of this Prospectus and/or the Note Trust Deed.

The EUR 93,550,000 Class A1 Floating Rate Credit-Linked Notes (the "**Class A1 Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 120,000,000 Class A2 Floating Rate Credit-Linked Notes (the "**Class A2 Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 112,500,000 Class B Floating Rate Credit-Linked Notes (the "**Class B Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 105,000,000 Class C Floating Rate Credit-Linked Notes (the "**Class C Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 82,500,000 Class D Floating Rate Credit-Linked Notes (the "**Class D Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 67,500,000 Class E Floating Rate Credit-Linked Notes (the "**Class E Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 40,000,000 Class F Floating Rate Credit-Linked Notes (the "**Class F Notes**") due on the Payment Date scheduled to fall in April, 2040, the EUR 37,500,000 Class G Floating Rate Credit-Linked Notes (the "**Class G Notes**") due on the Payment Date scheduled to fall in April, 2040 and the EUR 30,000,000 Class H Floating Rate Credit-Linked Notes (the "**Class H Notes**") due on the Payment Date scheduled to fall in April, 2040 (each a "**Class of Notes**" or a "**Class**" and together the "**Notes**") of Regent Street Finance Limited (the "**Issuer**" which expression includes any successor in title thereto) are constituted by, are subject to, and have the benefit of, a Note Trust Deed dated the Closing Date between the Issuer, the Note Trustee and the Security Trustee and are the subject of an Agency Agreement dated the Closing Date between the Issuer, the Note Trustee, the Agents, the Portfolio Swap Counterparty and the Security Trustee. The Notes are secured pursuant to a Security Trust Deed dated the Closing Date between the Issuer, the Security Trustee and others. Certain provisions of these terms and conditions of the Notes (the "**Conditions**") are summaries of the Note Trust Deed, the Security Trust Deed and the Agency Agreement (together, the "**Note Documents**") and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Note Documents. Copies of the Note Documents in electronic format are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Note Trustee, being at the date hereof One Canada Square, London E14 5AL and at the Specified Office of each of the Paying Agents.

1. Form, Denomination and Title

1.1 Form and Denomination of the Notes

- (a) The Notes of each Class are in registered form and will, in the case of the Reg S Notes, be issued in denominations of EUR 50,000 and, in the case of the Rule 144A Notes, be issued in denominations of EUR 250,000 and, in each case, in integral multiples of EUR 50,000 in excess thereof (each such denomination an "**Authorised Denomination**"). Each holding of Notes must have an Initial Principal Balance equal to EUR 50,000 (in the case of the Reg S Notes) and EUR 250,000 (in the case of the Rule 144A Notes) or any integral multiple of EUR 50,000 in excess thereof (an "**Authorised Holding**").
- (b) With respect to each Class, Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**" and such Notes, "**Reg S Notes**") will initially be represented by a Global Reg S Note Certificate.
- (c) With respect to each Class, Notes sold to U.S. persons or in the United States may only be sold to persons who are "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A of the Securities Act ("**Rule 144A**" and such Notes, "**Rule 144A Notes**") and who are also "qualified purchasers" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) ("**QPs**"). Rule 144A Notes of a Class will be represented by a Rule 144A Note Certificate.
- (d) Each Rule 144A Note Certificate is expected to be registered in the name of the nominee of DTC and will be deposited with The Bank of New York, as custodian for DTC (the "**DTC Custodian**") on the Closing Date.
- (e) Each Global Reg S Note Certificate is expected to be deposited with, and registered in the name of, or a nominee of, The Bank of New York, as common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") on the Closing Date.
- (f) The Global Note Certificate of any Class will be exchanged for Definitive Note Certificates only upon the occurrence of certain limited circumstances specified in the Note Trust Deed. Upon such an exchange the aggregate Initial Principal Balance of the Notes of such Class represented by Definitive Note Certificates will be equal to the aggregate Initial Principal Balance of the Notes of the corresponding Global Note Certificate at the date on which notice of exchange is given subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Note Trust Deed and the relevant Global Note Certificate. If issued, Definitive Note Certificates will be in Authorised Denominations, will be serially numbered and will be issued in registered form only.

1.2 Title to the Notes

- (a) The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement on which will be entered the names and addresses of the holders of the Notes, certain particulars of such Notes held by them and all transfers and redemptions of such Notes.
- (b) A Note Certificate will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (c) The Holder of each Note will (except as otherwise required by law and as otherwise provided herein, in the Note Trust Deed and in the Agency Agreement) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person will be liable for so treating such Holder.

1.3 Transfers

- (a) Subject as provided below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the Initial Principal Balance of the Note or Notes transferred and (where not all of the Notes held by a Holder are being transferred) the Initial Principal Balance of the balance of Notes not transferred by it are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.
- (b) Title to the Notes will pass upon registration of each transfer in respect thereof in the Register. Transfers and exchanges of Notes and/or beneficial interests in Notes represented by a Global Note Certificate and entries on the Register relating to the Notes will be made subject to the detailed regulations concerning transfers of such Notes scheduled to the Agency Agreement (the "**Transfer Regulations**"), any restrictions on transfers set forth on such Notes, the provisions of the Note Trust Deed and the relevant legends appearing on the face of the Note Certificates. Each transfer or purported transfer of a Note or of a beneficial interest in Notes represented by a Global Note Certificate made in violation of the Transfer Regulations, such restrictions, such provisions or such legends will be *void ab initio* and the Issuer and Note Trustee will not be obliged to honour any such transfer or purported transfer.
- (c) The Transfer Regulations may be modified by the Issuer and the Transfer Agents with the prior written approval of the Note Trustee. A copy of the current Transfer Regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such Transfer Regulations.
- (d) No Noteholder may require the transfer of a Note to be registered (1) during the period of 15 calendar days ending on a Payment Date or (2) during any period of seven calendar days ending on, and including, a Record Date.
- (e) Within five business days of the surrender of a Note Certificate in accordance with paragraph (a) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day, other than a Saturday or a Sunday, on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office and (if appropriate) in the city where the relevant Transfer Agent has its Specified Office.
- (f) The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (g) For so long as any Note is represented by a Global Note Certificate and held in a Clearing System, transfers and exchanges of beneficial interests in the Note represented by that Global Note Certificate may only be held through such Clearing System and entitlement to payments in respect of such Note will be effected subject to and in accordance with the rules and procedures from time to time of such Clearing System.
- (h) For so long as the Global Rule 144A Notes are held on behalf of DTC, beneficial interests in the Notes represented by a Rule 144A Note Certificate may be held only through DTC. For so long as the Global Reg S Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg beneficial interests in the Notes

represented by a Global Reg S Note Certificate may be held only through Euroclear or Clearstream, Luxembourg. Prior to the expiry of the Distribution Compliance Period beneficial interests in the Notes represented by a Global Note Certificate may not be held by a "U.S. person" (as defined in Regulation S under the Securities Act).

2. Status and Security

2.1 Status

The Notes of each Class constitute secured limited recourse obligations of the Issuer which will at all times rank *pari passu* among the other Notes of that Class.

2.2 Security

As security for the payment of all monies payable by the Issuer in respect of the Notes and certain other obligations the Issuer will execute the Security Documents creating the following security interests in favour of the Security Trustee:

pursuant to the Security Trust Deed, the Issuer will:

- (a) assign absolutely by way of first fixed continuing security to and in favour of the Security Trustee (for itself and as trustee for the Secured Parties) for the payment and discharge of the Secured Obligations all of the Issuer's rights, title, interests and benefits (whether now existing or hereafter arising) in, to, under and in respect of each of the Specific Bank Accounts and each of the Specific Contracts;
- (b) assign by way of first fixed security of any and all of its rights, title, interests and benefits, present and future, in and to any amounts that may be held from time to time by any custodian under any custody or other agreement and to any securities credited from time to time to any custody or other account;
- (c) assign by way of first fixed security of any and all of its rights, title, interests and benefits, present and future, in and to any custody account including, without limitation, its rights against any custodian for the delivery of any specified securities or an equivalent number or nominal value thereof arising in connection with such assets being held in a clearing system or through a financial intermediary and, to the extent that the same may be assigned, all of its rights, title, interest and benefits, present and future, in and to all assets and property thereafter belonging to the Issuer and deriving from such assets together with all rights attaching thereto and income deriving therefrom;
- (d) assign by way of first fixed security of all of its rights, title, interests and benefits, present and future, under any repurchase agreement or other contract entered into in respect of any Repo Arrangement pursuant to or as contemplated in the Transaction Documents from time to time;
- (e) assign and agrees to assign by way of first fixed continuing security to and in favour of the Security Trustee (for itself and as trustee for the Secured Parties) for the payment and discharge of the Secured Obligations all of the Issuer's rights, title, interest and benefits (whether now or hereafter existing) in to and in respect of any contract that may, at any time, be entered into by the Issuer pursuant to a TRS Arrangement; and
- (f) charge by way of first floating charge and by way of further continuing security to and in favour of the Security Trustee (for itself and as trustee for the Secured Parties) for the payment and discharge of the Secured Obligations the whole of its undertaking, property, assets, rights and revenues (save for such as are situated in Jersey) to the extent that the same are not or do not remain effectively encumbered by way of fixed security as described in sub-paragraphs (1) to (5) above.

All of the assets and property which are expressed to be subject to the security created under or pursuant to the Security Documents are herein referred to as the "**Charged Assets**". On enforcement of the Security in accordance with Condition 15 (*Enforcement*), the Security Trustee is required to apply monies available for distribution in accordance with the Enforcement Order of Priority.

2.3 Rights of the Note Trustee and the Security Trustee

The Issuer has agreed (a) pursuant to the Note Trust Deed, to pay to, or to the order of, the Note Trustee, sums equal to any sums owing to the Noteholders under the Notes as and when the same fall due for payment under the Notes and these Conditions and (b) pursuant to the Security Trust Deed, to pay to, or to the order of, the Security Trustee, sums equal to any sums owing to the Secured Parties (including the Noteholders) in respect of the Secured Obligations as and when the same fall due for payment.

3. Covenants of the Issuer

The Issuer covenants in the Note Trust Deed and in the Security Trust Deed, amongst other things, that, so long as any Note or Secured Obligation remains outstanding, the Issuer will not, save to the extent provided in, anticipated or permitted by the Transaction Documents or with the prior written consent of the Note Trustee and the Security Trustee:

- (a) engage in any business or other activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage in;
- (b) declare or pay any dividend or make any other distribution to its shareholders in any year in aggregate in excess of the amount of the Issuer's Transaction Fee for that year;
- (c) have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment;
- (d) have its Centre of Main Interests or its principal establishment (as defined in the Belgian PIL Code) or conduct the management of its affairs in any Member State of the European Union including holding any board meetings in any Member State of the European Union;
- (e) incur or permit to subsist any indebtedness for borrowed money otherwise than in respect of the Notes or give any guarantee or indemnity or assume any liability except for its reasonable expenses incurred in the ordinary course of its business;
- (f) sell, transfer or otherwise dispose of any Charged Assets or any interest therein or agree or purport to do so;
- (g) create or permit to exist upon or affect any of the Charged Assets, any mortgage, sub-mortgage, assignment, assignation, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation or other encumbrance or any other security interest whatsoever or otherwise permit the validity or effectiveness of the Security Documents, or the priority of any Security created thereby, to be amended, terminated, postponed or discharged;
- (h) consolidate or merge with any other person or convey or transfer its properties or assets substantially in their entirety to any person or be acquired by any other entity;
- (i) amend or consent to the amendment of any Transaction Document or permit any person with obligations under any Transaction Document to be released from such obligations;
- (j) issue any further shares to any other entity other than to the share trustees for the time being of the Issuer (or their nominees) or to alter any rights to the shares in existence at the date hereof;
- (k) open or have an interest in any account whatsoever with any bank or other financial institution;
- (l) purchase, subscribe for or otherwise acquire any shares (or other securities or any interest therein) in, or incorporate, any other company or agree to do any of the foregoing; or
- (m) amend or alter its memorandum or articles of association.

4. Interest

4.1 Accrual of Interest

- (a) Interest will accrue on a daily basis on the Adjusted Principal Balance of each Note from and including the Closing Date, payable quarterly in arrear on each Payment Date, subject as provided in Condition 7 (*Payments*).
- (b) An "**Interest Period**" means each period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next following Interest Payment Date, except that the first Interest Period shall commence on the Closing Date and end on, but exclude, the first Interest Payment Date scheduled to fall on 7 April, 2007.
- (c) Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, the final payment of principal is improperly withheld or refused, in which case it will continue to bear interest (as well after as before judgment) in accordance with this Condition and at its Adjusted Principal Balance (as if such principal amount had not then been due) until whichever is the earlier of:
 - (1) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

- (2) the day which is seven calendar days after the Principal Paying Agent or the Note Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh calendar day (except to the extent that there is any subsequent default in payment).
- (d) If and for so long as the Adjusted Principal Balance of any Class of Notes is zero, interest will not accrue on such Class of Notes.

4.2 Rate of Interest

- (a) For each Class of Notes and each Interest Period, interest will accrue on the Notes of such Class at the rate of EURIBOR for such Interest Period plus the Interest Margin for such Class of Notes and such Interest Period (the "**Rate of Interest**" for that Class and that Interest Period).

- (b) The "**Interest Margin**" means:

- (1) subject to (2) below, in respect of each Class of Notes listed below, the rate per annum set out opposite such Class:

<u>Class</u>	<u>Interest Margin</u>
Class A1 Notes	0.400%
Class A2 Notes	0.600%
Class B Notes	0.750%
Class C Notes	0.850%
Class D Notes	1.000%
Class E Notes	1.700%
Class F Notes	2.100%
Class G Notes	3.050%
Class H Notes	5.000%

- (2) subject to (3) below, if the Portfolio Swap Counterparty has not exercised the Swap Termination Option prior to the Payment Date scheduled to fall in April, 2017 (the "**Coupon Step-Up Date**") and the Termination Date has not otherwise occurred, for each Interest Period commencing on or after the Coupon Step-Up Date and in respect of each Class of Notes listed below, the rate per annum set out opposite such Class of Notes:

<u>Class</u>	<u>Interest Margin</u>
Class A1 Notes	0.800%
Class A2 Notes	1.200%
Class B Notes	1.500%
Class C Notes	1.700%
Class D Notes	2.000%
Class E Notes	3.40%
Class F Notes	4.200%
Class G Notes	6.100%
Class H Notes	10.000%

- (3) for each Interest Period commencing on or after the Termination Date and in respect of each Class of Notes, zero.

- (c) The Euro Interbank Offered Rate ("**EURIBOR**") for any Interest Period will be determined by the Agent Bank on the following basis:

- (1) the Agent Bank will determine EURIBOR for such Interest Period as being the rate for deposits in Euro for a period equal to the Designated Maturity which appears on the Telerate Page 248 as of 11:00 a.m. (Brussels time) on the day that is two TARGET Settlement Days preceding the first day of the relevant Interest Period (such earlier date the "**Interest Determination Date**") **provided that** in respect of the first Interest Period the Agent Bank will determine such rate by straight line linear interpolation of the rates which appear in respect of 1 month and 2 month deposits; or

- (2) if such rate does not appear on that page, the Agent Bank will:

- (A) request that the principal Euro-zone office of each of four major banks (selected by the Agent Bank) provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11:00 a.m. (Brussels time) on the Interest Determination Date to prime banks in the Euro-zone interbank market for a period of the Designated Maturity commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, assuming an actual/360 day count basis; and
 - (B) if at least two quotations are provided accordingly determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations and the Agent Bank will determine EURIBOR for such Interest Period as being such mean; or
- (3) if such rate does not appear on that page and fewer than two such quotations are provided as requested in the manner described above, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone, selected by the Agent Bank, at approximately 11:00 a.m. (Brussels time) on first day of the relevant Interest Period for loans in Euro to leading European banks for a period of the Designated Maturity commencing on the first day of the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Agent Bank will determine EURIBOR for such Interest Period as being such mean; or
 - (4) if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, EURIBOR for such Interest Period will be EURIBOR as last determined in relation to the immediately preceding Interest Period.

4.3 Calculation of Interest Amount

The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of each Note for such Interest Period. The Interest Amount for each Note will be calculated by applying the Rate of Interest applicable to the Class to which such Note belongs for the relevant Interest Period to the Adjusted Principal Balance of such Note on the first day of such Interest Period (after any adjustments to the Adjusted Principal Balance on such date are made), multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4.4 Publication

The Agent Bank will (unless otherwise directed by such party) cause EURIBOR, each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, to be notified to the Account Bank, the Administrator, the other Agents, the Swap Agents, the Issuer, the Note Trustee, the Portfolio Swap Counterparty, each stock exchange, competent listing authority and/or quotation system (if any, which may, for the avoidance of doubt, be outside the European Union and if so required by the rules thereof) on which or by which the Notes are then listed, quoted and/or traded (which may, for the avoidance of doubt, include admission to trading on a non-regulated market) and (on or after the Enforcement Date) the Security Trustee as soon as practicable after such determination but in any event within five Business Days of the first day of the relevant Interest Period. The Principal Paying Agent will cause notice thereof to be promptly given to the Noteholders in accordance with Condition 17 (*Notices*). The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

4.5 Notifications etc

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Conditions by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Agents, the Swap Agents, the Note Trustee, the Account Bank, the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank, or (in the circumstances referred to in Condition 4.6 (*Failure of Agent Bank*) below) the Note Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

4.6 Failure of Agent Bank

If the Agent Bank fails at any time to determine a Rate of Interest or to calculate an Interest Amount as aforesaid, the Note Trustee will, at the cost of the Issuer, determine or procure the determination of such Rate of Interest as it, in its discretion considers fair and reasonable in the circumstances (having such regard as it thinks fit to Condition 4.2 (*Rate of Interest*) and/or (as the case may be) calculate such Interest Amount in accordance with Condition 4.3 (*Calculation of Interest Amount*)). Any such determination or calculation by or procured by the Note Trustee will (in the absence of manifest error) be final and binding upon the Issuer, the Agents, the Swap Agents, the Account Bank and the Noteholders and the Note Trustee will have no liability to such persons in respect of such determination.

4.7 Priorities

Interest on the Notes will be paid, to the extent of funds available for that purpose, in accordance with the Order of Seniority. No interest will be paid on a Note of any Class until all interest due on the Classes of Notes ranking in priority (as per the Order of Seniority) to such Class has been paid in full.

5. Redemption

5.1 Amortised Redemption

On the earlier of (a) the Scheduled Amortisation Commencement Date and (b) the Termination Date, and on each Payment Date thereafter (to and including the Legal Maturity Date, unless the Adjusted Principal Balance of the Notes has been reduced to zero in accordance with the following provisions prior to such date) the Issuer will:

- (a) redeem any Class A1 Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class A1 Notes, pay in partial redemption of each Class A1 Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class A1 Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;
- (b) redeem any Class A2 Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class A2 Notes, pay in partial redemption of each Class A2 Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class A2 Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;
- (c) redeem any Class B Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class B Notes, pay in partial redemption of each Class B Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class B Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;
- (d) redeem any Class C Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class C Notes, pay in partial redemption of each Class C Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class C Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;
- (e) redeem any Class D Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class D Notes, pay in partial redemption of each Class D Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class D Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;
- (f) redeem any Class E Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class E Notes, pay in partial redemption of each Class E Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class E Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;
- (g) redeem any Class F Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class F Notes, pay in partial redemption of each Class F Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such

Note bears to the Initial Principal Balance of the Class F Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter;

- (h) redeem any Class G Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class G Notes, pay in partial redemption of each Class G Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class G Notes and, if any Principal Collections remain available for payment of principal of the Notes thereafter; and
- (i) redeem any Class H Notes then outstanding (at their Redemption Amount together with any accrued but unpaid interest thereon) or, if the remaining amount of Principal Collections available for payment of principal of the Notes (after paying any prior ranking claims in accordance with the applicable Order of Priority) is less than the Redemption Amount of the Class H Notes, pay in partial redemption of each Class H Note a proportion of such remaining amount of Principal Collections equal to the proportion which the Initial Principal Balance of such Note bears to the Initial Principal Balance of the Class H Notes.

For any Payment Date the total amount of Principal Collections available (in accordance with the Collateral Realisation Procedures) for payment of principal of the Notes will be limited to the Distributable Principal Amount for that Payment Date.

5.2 Designation of a Tax Redemption Date

The Issuer will, if it becomes aware, and, **provided that** it satisfies the Note Trustee that a Tax Termination Event has occurred or exists, designate any Payment Date as the "**Tax Redemption Date**" on giving not less than 30 nor more than 60 calendar days notice to the Noteholders (which notice will be irrevocable).

A "**Tax Termination Event**" means that:

- (a) In respect of the Issuer:
 - (1) the Issuer has or there is a substantial likelihood that within 90 calendar days of the relevant date of determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) that it will become obliged to withhold or deduct an amount in respect of any Tax from any payment of principal of, interest on, or any other amount payable in respect of, the Notes as a result of any change in, or amendment to, the laws or regulations of any jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction);
 - (2) the Issuer is or there is a substantial likelihood that it will within 90 calendar days of the date of such determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) be subject to any regulatory imposition or to a Tax charge (whether by direct assessment or by withholding at source) or other imposition by Jersey or any other jurisdiction which would materially increase the costs to it of complying with its obligations under the Note Trust Deed or under the Notes of any Class or materially increase the operating or administrative expenses of the Issuer or the trust under which the shares in the Issuer are held or reduce the amount of any sums received or receivable by the Issuer or otherwise oblige the Issuer to make any payment on, or calculated by reference to, the amount of any sum received or receivable by the Note Trustee on behalf of the Issuer as contemplated in the Note Trust Deed;
 - (3) payments of interest due on the Principal Collections Account, the Cash Reserve Account or the Interest Collections Account to the Issuer are or there is a substantial likelihood that they will within 90 calendar days of the date of such determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) become subject to deduction or withholding for or on account of any Tax;
 - (4) a Swap Tax Event (as defined in the Portfolio Credit Swap) occurs under the Portfolio Credit Swap;
 - (5) an Applicable Collateral Tax Event occurs under the Applicable Collateral Arrangement; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and
- (c) the Portfolio Swap Counterparty:
 - (1) under the circumstances described in Condition 5(a) above, elects to terminate the Portfolio Credit Swap; or

- (2) fails, after any applicable grace period, to pay any additional amount which it is obliged to pay under the Portfolio Credit Swap or elects not to indemnify the Issuer for any Tax incurred by it or for any Additional Amount which the Issuer would, if it were so funded, be obliged to pay to Noteholders under Condition 8 (*Taxation*);

Provided that, an Applicable Collateral Tax Event shall not constitute a Tax Termination Event, where (i) the Issuer has determined (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) that such Applicable Collateral Tax Event can be avoided by the timely reinvestment of the Collateral Transfer Amount in an Alternative Collateral Arrangement, (ii) the Portfolio Swap Counterparty has instructed the Issuer to make such collateral switch in accordance with the provisions of the Collateral Switch Agreement and (iii) the Collateral Switch Conditions have been satisfied in respect of such collateral switch.

Prior to the publication of any notice designating a Tax Redemption Date pursuant to this Condition, the Issuer will deliver to the Note Trustee an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the relevant Tax Termination Event applies or will apply within 90 calendar days of the date of the opinion and, in the case of an Applicable Collateral Tax Event, confirming that such event cannot be avoided by reinvesting the Collateral Principal Proceeds in an Alternative Collateral Arrangement. The Note Trustee will be entitled to accept such opinion (but may accept other evidence in lieu thereof, which in its sole opinion is satisfactory to the Note Trustee) as sufficient evidence of the existence of a Tax Termination Event, in which event it will be conclusive and binding on the Noteholders. A notice delivered by the Issuer designating a Tax Redemption Date will be irrevocable.

5.3 Early Redemption due to Collateral Acceleration

If under the terms of the document constituting the Applicable Collateral Arrangement a Collateral Acceleration Event occurs in respect of the Applicable Collateral Counterparty and the Collateral Principal Proceeds invested thereunder have not been reinvested in an Alternative Collateral Arrangement, or such Collateral Acceleration Event is continuing and has not been waived by the Note Trustee, the Note Trustee may, at any time, and will if so directed by an Extraordinary Resolution of the Noteholders of the Controlling Class or in writing by the holders of Notes of the Controlling Class which Notes have in aggregate an Initial Principal Balance equal to or greater than 50 per cent. of the Initial Principal Balance of the Notes of the Controlling Class then outstanding (subject to being indemnified and/or secured to its satisfaction) deliver a notice (the "**Collateral Acceleration Note Redemption Notice**") to the Issuer (with a copy to the Portfolio Swap Counterparty, the GIC Provider, any other Applicable Collateral Counterparty, the GIC Guarantor, any other Applicable Collateral Guarantor, the Security Trustee, each Agent and each Rating Agency) and will notify the Noteholders in accordance with Condition 17 (*Notices*) declaring the Notes to be immediately due and payable.

5.4 Collateral Acceleration Note Redemption Notice

The Notes will become immediately due and payable at their respective Redemption Amounts, together with any accrued but unpaid interest on such Notes on the date a Collateral Acceleration Note Redemption Notice is delivered to the Issuer (with a copy to the Portfolio Swap Counterparty, the GIC Provider, any other Applicable Collateral Counterparty, the GIC Guarantor, any other Applicable Collateral Guarantor, the Security Trustee, each Agent and each Rating Agency) (the "**Note Redemption Notice Delivery Date**") without any further notice or other action on the part of the Security Trustee, Note Trustee or the Noteholders. Notwithstanding the acceleration of the Notes in accordance with this Condition, the Redemption Amount of any Note may reduce over time if Noteholder Contributions are determined in respect of Cash Settlement Amounts.

5.5 Legal Maturity

Unless previously redeemed, or purchased and cancelled, the Notes of each Class will be redeemed, in Order of Seniority, at their respective Redemption Amounts together with any accrued but unpaid interest on the Payment Date scheduled to fall in April, 2040 (the "**Legal Maturity Date**"), subject as provided in Condition 7 (*Payments*).

5.6 Order of Seniority

On any Redemption Date, the Notes will, subject to the above provisions, be redeemed or partially redeemed in accordance with the Order of Seniority at their respective Redemption Amounts together with interest accrued thereon to (and excluding) the relevant Redemption Date. No Note of any Class will be redeemed until all the Notes of the Classes ranking senior to such Class have been redeemed at their Redemption Amount. Upon the redemption of the Notes of a Class, such Notes will be redeemed on a *pro rata* basis within such Class.

5.7 No other Redemption

The Issuer will not be entitled to redeem the Notes otherwise than as provided in Condition 5 (*Redemption*).

5.8 Purchase

The Issuer may at any time purchase Notes in the open market or otherwise and at any price.

5.9 Cancellation

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith and may not be resold or reissued.

5.10 Notice of Principal Repayment

If in accordance with these Conditions, principal of any Note is payable on any date other than the Legal Maturity Date, the Issuer will procure that the date and amount of any such payments are notified to the Noteholders and any stock exchange, competent listing authority and/or quotation system (if any, which may, for the avoidance of doubt, be outside the European Union) on which or by which the Notes are then listed, quoted and/or traded (which may, for the avoidance of doubt, include admission to trading on a non-regulated market) as soon as practicable after the determination of such date and amount.

5.11 Reduction of Adjusted Principal Balance

Under the terms of the Portfolio Credit Swap, in respect of each Cash Settlement Date (as defined in the Portfolio Credit Swap) the Calculation Agent will determine whether a Cash Settlement Amount is payable and, after consultation with the Administrator, any Noteholder Contribution is applicable and will inform the Issuer of such amounts accordingly. For each Cash Settlement Amount payable by the Issuer an amount equal to the Noteholder Contribution applicable in respect thereof will be applied in reduction of the aggregate Adjusted Principal Balance of the Notes without a commensurate payment to the Noteholders. Such reduction will be allocated to the Notes in Reverse Order of Seniority (until the Adjusted Principal Balance of each Class is reduced to zero). Allocations of Noteholder Contributions to the reduction of Adjusted Principal Balance will be deemed to occur automatically on the Payment Date on which the relevant Cash Settlement Amount is payable and without further action by any party and the Registrar will record such reductions in the Register accordingly.

5.12 Reinstatement of Adjusted Principal Balance

On each Interest Payment Date upon which the aggregate Adjusted Principal Balance of the Notes is less than the aggregate Initial Principal Balance of the Notes (such shortfall, a "**Principal Shortfall Amount**"), the Adjusted Principal Balance of the Notes will be reinstated by an amount equal to the lesser of:

- (a) the balance of the Cash Reserve Account (after giving effect to any payments of Cash Settlement Amounts payable from that account on that date); and
- (b) the Principal Shortfall Amount,

(such lesser amount, the "**Reinstatement Amount**").

Such reinstatements will be allocated to the Notes in Order of Seniority until the Adjusted Principal Balance of each Class is reinstated to its Initial Principal Balance. Reinstatements of Adjusted Principal Balance will be deemed to occur automatically and without further action by any party and the Registrar will record such reinstatements in the Register accordingly.

5.13 Notice of Principal Adjustment

The Issuer will, as soon as practicable after any adjustment of the Adjusted Principal Balance of the Notes, notify the Noteholders and any stock exchange, competent listing authority and/or quotation system (if any) on which or by which the Notes are then listed, quoted and/or traded (which may, for the avoidance of doubt, include admission to trading on a non-regulated market and/or be outside the European Union) of the amount of any reduction or reinstatement of the Adjusted Principal Balance of any Class of Notes.

6. Allocation of Collections

Pursuant to the Security Trust Deed, the Issuer, or in the case of Condition 6.4 (*Proceeds on Enforcement*), the Security Trustee will apply, or cause to be applied funds standing to the credit of the Accounts in the manner described in this Condition 6.

6.1 Application of Interest Collections

- (a) On each Payment Date falling before the Enforcement Date, the Issuer will, subject to Condition 6.2 (*Application of Principal Collections and, if any, Repo Collections*), apply, or cause to be applied, the Interest Collections for such Payment Date as follows:
- (1) first, to pay or provide for payment to the Security Trustee and the Note Trustee any Covered Expenses due and unpaid on such Payment Date or estimated to be payable on or prior to the next Payment Date;
 - (2) second, to pay or provide for payment (either directly or via the Expenses Agent), on a pari passu basis to the Operating Creditors, any Covered Expenses due and unpaid on such Payment Date or estimated to be payable on or prior to the next Payment Date;
 - (3) third, to pay any accrued and unpaid interest on each Class of Notes due on such Payment Date, in the Order of Seniority;
 - (4) fourth, to pay to the Issuer the Issuer's Transaction Fee, if any, due on such date; and
 - (5) fifth, on the final Payment Date only, to pay any remaining balance of the Interest Collections Account thereafter into the Principal Collections Account.
- (b) On any other date prior to the Enforcement Date the Issuer will apply, or cause to be applied, the funds standing to the credit of the Interest Collections Account, to pay to the Security Trustee, the Note Trustee and any relevant Operating Creditors any Covered Expenses determined as of the immediately preceding Payment Date which are payable to such party and which have not previously been paid out of the Interest Collections Account.

6.2 Application of Principal Collections and, if any, Repo Collections

- (a) On each Payment Date falling before the Enforcement Date (and where indicated, on the Closing Date), the Issuer will apply, or cause to be applied, the Principal Collections for such Payment Date (or the Closing Date as the case may be) as follows:
- (1) first, to pay to the Security Trustee and the Note Trustee any Covered Expenses due and unpaid on such Payment Date to the extent not paid out of Interest Collections;
 - (2) second, to pay, on a pari passu basis, to the Operating Creditors, any Covered Expenses due and unpaid on such Payment Date to the extent not paid out of Interest Collections;
 - (3) third, to pay to the Portfolio Swap Counterparty the amount due under the Portfolio Credit Swap in respect of any Cash Settlement Amount on such Payment Date to the extent that such amounts are not paid out of Cash Reserves;
 - (4) fourth, to make payments of principal then due on, and (if appropriate) reduce to zero the Adjusted Principal Balance (after giving effect to the payment of any Cash Settlement Amounts on such Payment Date) of each Class of Notes in the Order of Seniority;
 - (5) fifth, after the reduction of the Adjusted Principal Balance of each Class of Notes to zero, to pay to the Portfolio Swap Counterparty any Subordinated Portfolio Performance Fee that may be due to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap;
 - (6) sixth, after the reduction of the Adjusted Principal Balance of each Class of Notes to zero and payment of any Subordinated Portfolio Performance Fee, to pay to the Portfolio Swap Counterparty the remaining funds standing to the credit of the Principal Collections Account (to the extent such funds exceed any accrued but unpaid Issuer's Transaction Fee) toward payment of the Swap Termination Fee and/or any other amount that may be due to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap; and
 - (7) seventh, after the reduction of the Adjusted Principal Balance of each Class of Notes to zero, to pay the remaining balance of the Principal Collections Account to the Issuer.
- (b) On any other day on which the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Issuer will apply, or cause to be applied, the Repo Collections to pay to the Eligible Repo Counterparty any Income and/or pursuant to a Substitution (as defined in the Repurchase Agreement) cash or cash redemption proceeds or cash margin then constituting excess collateralisation subject to and in accordance with the provisions of the Repurchase Agreement; **provided that** the Issuer shall not make any payment or transfer of Income to the Eligible Repo Counterparty if and to the extent that the Issuer would as a result of such payment have a Net Exposure or an increased Net Exposure to the Eligible Repo Counterparty.

- (c) On any Collateral Switch Date, to the extent that any Collateral Principal Proceeds are to be reinvested in an Alternative Collateral Arrangement pursuant to the Collateral Switch Agreement, the Issuer will apply, or cause to be applied, the Collateral Transfer Amount to or to the order of the Applicable Collateral Counterparty in the manner described in the documentation constituting such Alternative Collateral Arrangement.
- (d) If, prior to the Enforcement Date, Principal Collections have been applied in payment of the first and/or second items in Condition 6.2(a) (any such amount a "**Diverted Amount**"), an amount or amounts (in aggregate equal to the Diverted Amount) will be deemed to be an Expense of the Issuer and will be segregated from any Interest Collections arising thereafter and be deemed to be Principal Collections (and, as such, subject to the provisions of Condition 6.2(a)).

6.3 Application of Cash Reserves

On each Payment Date falling before the Enforcement Date, the Issuer will apply, or cause to be applied, the Cash Reserves for such Payment Date as follows:

- (a) first, to pay to the Portfolio Swap Counterparty an amount equal to any Reserve Account Interest Reimbursement due on such date;
- (b) second, to pay to the Portfolio Swap Counterparty the amount due under the Portfolio Credit Swap in respect of any Cash Settlement Amount on such Payment Date;
- (c) third, if any such Payment Date falls on or prior to the Termination Date and a Principal Shortfall Amount exists, to transfer an amount equal to the Reinstatement Amount to the Principal Collections Account;
- (d) fourth, to pay to the Portfolio Swap Counterparty any Subordinated Portfolio Performance Fee due and payable on such Payment Date; and
- (e) fifth, on the final Payment Date only, to pay any remaining balance of the Cash Reserve Account thereafter into the Principal Collections Account.

6.4 Proceeds on Enforcement

- (a) If the Applicable Collateral Arrangement is or includes a Repo Arrangement, on the Enforcement Date the obligation of the Eligible Repo Counterparty to pay the Outstanding Repurchase Price under the Repurchase Agreement will be accelerated and netted against the obligation of the Issuer, in such circumstances, to pay the aggregate Market Value of the Repo Collateral (together with accrued Income thereon) to the Eligible Repo Counterparty. Accordingly only the net proceeds realised thereby (the "**Repo Proceeds**") will be available for application by the Security Trustee pursuant to the Enforcement Order of Priority. The excess, if any, of the aggregate Market Value of the Repo Collateral over the Outstanding Repurchase Price will be paid to the Eligible Repo Counterparty at such time.
- (b) On and after the Enforcement Date the Security Trustee will (subject to any applicable laws including laws of bankruptcy, insolvency, liquidation or other laws affecting creditors' rights generally and subject to the proviso below) apply or cause to be applied, the Repo Proceeds (if any) together with all monies paid to, or recovered or received by or on behalf of the Security Trustee in respect of the Other Charged Assets which are available for distribution in the order of priority (the "**Enforcement Order of Priority**") as set forth below:
 - (1) first, to pay or provide for, on a pari passu basis but pro rata to the aggregate of the respective amounts payable to each of them under the provisions of the Note Trust Deed, the Security Trust Deed and the other Transaction Documents by way of remuneration and/or indemnification or which are otherwise payable by the Issuer to the Security Trustee and the Note Trustee and/or any Receiver appointed by the Security Trustee pursuant to the Security Trust Deed or any other Security Document, their respective Expenses;
 - (2) second, to pay or provide for amounts payable (either directly or via the Expenses Agent), on a pari passu basis but pro rata to the aggregate respective amounts payable (in respect of Expenses other than any Exceptional Expenses) to each of them, to the Operating Creditors, their respective Expenses other than any Exceptional Expenses;
 - (3) third, to pay or provide for amounts payable to the Portfolio Swap Counterparty, in respect of the Issuer's obligations to the Portfolio Swap Counterparty under the Portfolio Credit Swap in respect of Cash Settlement Amounts (or if a lesser amount, the amount payable to the Portfolio Swap Counterparty pursuant to Section 6(e) of the Portfolio Credit Swap);

- (4) fourth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class A1 Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class A1 Note;
- (5) fifth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class A2 Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class A2 Note;
- (6) sixth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class B Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class B Note;
- (7) seventh, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class C Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class C Note;
- (8) eighth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class D Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class D Note;
- (9) ninth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class E Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class E Note;
- (10) tenth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class F Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class F Note;
- (11) eleventh, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class G Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class G Note;
- (12) twelfth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class H Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class H Note;
- (13) thirteenth, to pay or provide on a pari passu basis and pro rata to the respective aggregate amounts payable to the Operating Creditors, their respective Exceptional Expenses payable and not previously paid;
- (14) fourteenth, to pay or provide for the payment of any Subordinated Portfolio Performance Fee payable to the Portfolio Swap Counterparty;
- (15) fifteenth, to apply the remaining funds, if any, to the extent such funds exceed any accrued but unpaid Issuer's Transaction Fee, available for distribution toward payment of the Swap Termination Fee and/or any other amount that may be due to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap; and
- (16) finally, to pay the balance, if any, to the Issuer.

7. Payments

7.1 Payments of Principal and Interest

Subject to Condition 7.2 (*Payments in respect of Global Rule 144A Notes*), payments of principal and interest in respect of each Note will be payable to the relevant Payee only and will be made, upon written application by the registered Holder of such Note to the Specified Office of the Principal Paying Agent not later than the fifteenth calendar day before the due date for any such payment, by transfer (electronic or otherwise) to a Permitted Account or, in the absence of such written application or at the discretion of the Principal Paying Agent, by Cheque and also (in the case of principal and/or interest payable on the final redemption of that Note only) upon surrender of the relevant Note Certificate at the Specified Office of the Principal Paying Agent or any other Paying Agent. Where payment in respect of a Note is to be made by Cheque, the Cheque will be mailed to the Record Address. The Issuer will not be liable to any Noteholder for any loss suffered due to the failure of any registered Holder to notify the Registrar prior to any relevant Record Date of any change of address for such Holder or if no details or insufficient or inaccurate details of any address of a registered Holder are supplied to the Registrar.

7.2 Payments in respect of Global Rule 144A Notes

- (a) If and for so long as any Rule 144A Notes are represented by a Rule 144A Note Certificate, and subject to Condition 7.2(b) and (c) below, the Issuer's obligation to make payments of principal or interest pursuant to these Conditions and in accordance with Condition 7.1 (*Payments of Principal and Interest*) in respect of such Notes will be satisfied by the payment to or to the order of the DTC Custodian of a U.S. dollar equivalent of any such payment converted into dollars pursuant to the provisions of the Agency Agreement at a rate determined in accordance with the provisions of the Agency Agreement and which amount will be net of all costs of conversion.
- (b) Accordingly, if the Payee in respect of any Rule 144A Note then represented by a Rule 144A Note Certificate requires that payments be made to them outside DTC, such Payee must notify DTC in accordance with the rules and procedures of DTC not more than three business days after any relevant Record Date (in the case of interest payments on the Notes) or not less than twelve business days prior to the relevant Payment Date (in the case of principal payments on the Notes) (a) that they wish to be paid in the relevant currency denomination of such Notes and (b) of the relevant bank account details into which such payments are to be made. The Issuer expects that DTC would then inform the Principal Paying Agent of such payment instructions.
- (c) If, with respect to a Payee, such payment instructions are received by the Principal Paying Agent by the fifth business day after any relevant Record Date (in the case of interest payments on the Notes) or by the tenth business day prior to the relevant Payment Date in the case of principal payments, payments in respect of that Rule 144A Note and that Payee will be made in accordance with Condition 7.1 (*Payments of Principal and Interest*).
- (d) In this Clause 7.2 "business day" means a day, other than a Saturday or a Sunday, on which commercial banks are open for business (including dealings in foreign currencies) in New York City.

7.3 Timing of payment

Where payment in respect of a Note is to be made by transfer to a Permitted Account, payment instructions (for value on the relevant Payment Date) will be initiated and, where payment is to be made by Cheque, the Cheque will be mailed:

- (a) (in the case of payments of principal and interest payable on final redemption of that Note) on the later of the Payment Date and the day on which the relevant Note Certificate is surrendered at the Specified Office of a Paying Agent; and
- (b) (in the case of payments of interest or principal payable other than on final redemption of that Note) on the Payment Date.

For the purposes of this Condition 7.3 only, if a "Payment Date" is not a Local Business Day, such "Payment Date" will be deemed to be the next Local Business Day falling after such Payment Date.

7.4 Delays in making payments

A Holder of a Note will not be entitled to any interest or other payment in respect of any delay in payment resulting from:

- (a) a payment not being made, a transfer not being initiated, the surrender of a Note Certificate not being possible, or a Cheque not being mailed on the due date for a payment as a result of that due date not being a Local Business Day;
- (b) a Cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail;
- (c) (in relation to a payment to be made by Cheque in relation to a Reg S Note) the relevant Paying Agent having not received before the relevant Record Date written notice of a valid mailing address outside the United States and its possessions for the Payee; and
- (d) (in relation to a payment to be made by transfer in relation to a Reg S Note) the relevant Paying Agent having not received before the relevant Record Date written notice of a Permitted Account for the Payee.

7.5 Payments subject to fiscal laws; no commission or expenses

Without prejudice to the provisions of Condition 8 (*Taxation*), all payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations. Subject to Condition 7.2(a) (*Payments in respect of Global Rule 144A Notes*), no commissions or expenses will be charged to the Noteholders in respect of such payments.

7.6 Partial payments

If a Paying Agent makes a partial payment in respect of any Note it will notify the Issuer, the Principal Paying Agent and the Registrar accordingly and the Registrar will record the amount and date of such payment on the Register.

8. Taxation

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature ("**Taxes**" and each a "**Tax**") unless the Issuer or any Paying Agent is required by applicable law, including any directive of the European Union, to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or such Paying Agent (as the case may be) will, save as provided below, make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Paying Agents will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction. Any such withholding or deduction will not constitute an Event of Default.

If any such withholding or deduction is applicable but only if the Issuer has (at the sole discretion of the Portfolio Swap Counterparty) been specifically provided with funds for the payment thereof by the Portfolio Swap Counterparty, the Issuer will pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts will be payable in respect of any Note:

- (a) held by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the relevant taxing authority or the jurisdiction thereof other than the mere holding of such Note; or
- (b) where (in the case of a payment of principal or interest on the final redemption of such Note) the relevant Note Certificate is surrendered for payment more than 30 calendar days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 calendar days; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (the "**EU Savings Tax Directive**") or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (d) held by or on behalf of a holder who would have been able to avoid such withholding or deduction (1) by presenting the relevant Note to another Paying Agent in a Member State of the European Union, or (2) by authorising the relevant Paying Agent to report information in accordance with the procedure laid down by the relevant tax authority, a declaration, claim, certificate, document, or other evidence establishing exemption therefrom.

In these Conditions, "**Relevant Date**" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Note Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 17 (*Notices*).

Any reference in these Conditions to principal or interest will be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable (subject to the discretion of the Portfolio Swap Counterparty electing to fund such payments) under this Condition 8.

9. Events of Default and Acceleration of the Notes

9.1 Events of Default

The occurrence of any of the following events will constitute an "**Event of Default**":

(a) *Non-payment*

the Issuer defaults in the payment of any interest or principal due in respect of any Notes and such default continues for a period of five Business Days or, if the Principal Paying Agent notifies the Note Trustee in writing that any default in payment is solely as a result of technical problems in the interbank payment systems, 10 Business Days;

(b) *Breach of other obligations*

the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Note Trust Deed or any other Transaction Document which failure is, in the sole opinion of the Note Trustee (1) materially prejudicial to the interests of any Class of Noteholders and (2) incapable of remedy or, if capable of remedy, continues unremedied for a period of 30 calendar days (or such longer period as the Note Trustee, in its absolute discretion, may agree with the Issuer) following the delivery by the Note Trustee of written notice thereof to the Issuer;

(c) *Security enforceable*

the Security Trustee ceases to have a valid and enforceable security interest in all or, in the sole opinion of the Security Trustee, a material part of the Charged Assets;

(d) *Insolvency Proceedings*

proceedings are initiated against the Issuer under any applicable liquidation (voluntary or judicial), insolvency, bankruptcy, composition, reorganisation or other similar laws (together, "**Insolvency Law**"), and such proceedings are not, in the sole opinion of the Note Trustee, being disputed in good faith and with a reasonable prospect of success, having received such legal advice and or other legal and or other professional advice as it may deem necessary and on which it may rely without and liability for so doing, or a receiver, administrator, conservator or other similar official (a "**receiver**") is appointed pursuant to any Insolvency Law or the Security Trust Deed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer; or a winding up petition is presented in respect of, or a distress or execution or other process is levied or enforced upon or sued out against, the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) is not discharged or does not otherwise cease to apply within 30 calendar days, or an application is made for the appointment of an administrator in relation to the Issuer, or the Issuer is deemed by a court to be insolvent, bankrupt or unable to pay its debts, or the Issuer initiates (by way of formal application to any court) or consents to judicial proceedings relating to itself under any applicable Insolvency Law, or seeks (by way of formal application to any court) the appointment of a receiver or administrator, or makes a conveyance or assignment for the benefit of its creditors generally or otherwise becomes subject to any reorganisation or amalgamation (other than on terms previously approved in writing by the Note Trustee);

(e) *Swap Termination Event*

an "Early Termination Date" is designated as a result of an "Event of Default" (each as defined in the Portfolio Credit Swap); or

(f) *Enforcement*

the occurrence of the Enforcement Date.

9.2 Note Default Notice

If an Event of Default occurs (other than pursuant to Condition 9.1(f) (*Enforcement*)) and is continuing and has not been waived by the Note Trustee or a Swap Illegality Event occurs, the Note Trustee may, at any time, and will if so directed by an Extraordinary Resolution of the Noteholders of the Controlling Class or in writing by the holders of Notes of the Controlling Class which Notes have in aggregate an Initial Principal Balance equal to or greater than 50 per cent. of the Initial Principal Balance of the Notes of the Controlling Class then outstanding (subject to being indemnified and/or secured to its satisfaction) deliver a notice (a "**Note Default Notice**") to the Issuer (with a copy to the Portfolio Swap Counterparty, the GIC Provider, the GIC Guarantor, any other Applicable Collateral Counterparty, any other Applicable Collateral Guarantor, the Security Trustee, each Agent and each Rating Agency and will notify the Noteholders in accordance with Condition 17 (*Notices*)) declaring the Notes to be immediately due and payable.

9.3 Acceleration of the Notes

The Notes will become immediately due and payable at their respective Redemption Amounts, together with any accrued but unpaid interest on such Notes (a) on the date a Note Default Notice is deemed to be delivered to the Issuer (the "**Note Default Notice Delivery Date**") without any further notice or other action on the part of the Note Trustee or the Noteholders or, if earlier, (b) upon the occurrence of an Event of Default under Condition 9.1(f) (*Enforcement*) (i.e. upon the occurrence of the Enforcement Date) without any further notice or other action on the part of the Security Trustee, the Note Trustee or the Noteholders. Notwithstanding the acceleration of the Notes in accordance with this Condition, the Redemption Amount of any Note may reduce over time if Noteholder Contributions are determined in respect of Cash Settlement Amounts.

10. Prescription

Claims against the Issuer for payments in respect of principal and/or interest on the final redemption of any Note will be prescribed and become void unless surrender of the relevant Note Certificate is made within 5 years in the case of interest and 10 years in the case of principal from the Relevant Date in respect thereof.

11. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar or any other Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred and/or taxes payable in connection with such replacement and on such terms as to evidence and indemnity as the Issuer and the Registrar may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

12. Note Trustee, Security Trustee, Agents and the Swap Agents

12.1 Indemnification of Note Trustee and Security Trustee

The Note Trust Deed and Security Trust Deed provide (and, in each case, subject to the limited recourse provisions contained therein) that each of the Note Trustee and the Security Trustee may be entitled to be (and, in certain circumstances, will not be obliged to act until) indemnified and/or provided with security and/or otherwise secured to their satisfaction against all actions, proceedings, claims and demands to which each may thereby render itself liable and any Liability which it may incur by so doing, **provided that** the Note Trustee or the Security Trustee (as the case may be) will not be held liable for the consequence of taking or the failure to take (for whatever reason unless so directed and indemnified and/or secured) any such action and may take such action or refrain from taking such action without having regard to the effect of such action or inaction on the Noteholders or all or any of the other Secured Parties. Further, the Note Trustee and the Security Trustee are also entitled to be relieved from responsibility in certain circumstances and to be paid their remuneration, costs and expenses in priority to the claims of the Noteholders.

12.2 Consideration of interests by the Note Trustee

Where the Note Trustee is required in connection with any exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the Noteholders (or, as the case may be, the holders of the Notes of each Class of Notes affected thereby), and there is a conflict between the interests of a Class of Noteholders and any other Class or Classes of Noteholders, it will have regard to the interests of, and resolve any conflict in favour of, the Noteholders of the Controlling Class or, in the case of a conflict arising that does not concern the Controlling Class, the Noteholders of the most senior Class (in the Order of Seniority) affected by such conflict, in each case as one class, and, in particular but without prejudice to the generality of the foregoing, the Note Trustee will not have regard to, or be in any way liable for, the consequences of such exercise for individual holders of Notes of the relevant Class resulting from their being for any purposes domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise no holder of a Note will be entitled to claim (via the Note Trustee or otherwise), from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.3 Consideration of interests by the Security Trustee

In connection with the exercise of its powers, trusts, authorities, duties and discretions under the Security Trust Deed or any Transaction Document, the Security Trustee will act at the direction of an Instructing Party, if any, and will not incur any liability in so doing. Prior to taking any action (other than delivering an Enforcement Notice following the occurrence of an Enforcement Event) pursuant to such directions the Security Trustee will consult with the Note Trustee and will not take such action if the Note Trustee, in its sole opinion (having taken directions from the Noteholders in such respect if the Note Trustee, in its sole opinion, considers it appropriate to do so), considers the taking of such action to be materially prejudicial to the interests of the Noteholders.

If at any time no Instructing Party is effectively designated the Security Trustee will act in accordance with the directions of the Note Trustee in connection with any exercise of its powers, trusts, authorities, duties and discretions under the Security Trust Deed and the other Transaction Documents and will not incur any liability in so doing.

12.4 Note Trustee and Security Trustee entitled to assume

The Note Trustee and the Security Trustee will be entitled in considering, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Note Trust Deed or the Security Trust Deed (as the case may be), the Conditions or any other Transaction Document, whether such exercise would be materially prejudicial to the interests of any Class of Noteholders, to consider such factors as it, in its discretion, considers relevant and, if such confirmation is available to the Note Trustee or the Security Trustee (as the case may be), to take account of the fact that each Rating Agency has confirmed in writing that its then current rating of the Notes of each Class rated by such

Rating Agency would not be adversely affected by such exercise, **provided that**, each of the Note Trustee and the Security Trustee may not consent to the amendment of the definition of any ABS Reference Entity Credit Event unless each Rating Agency has confirmed in writing that its then current rating of the Notes of each Class rated by such Rating Agency would not be adversely affected by such exercise of any power, trust, authority, duty or discretion under or in relation to the Note Trust Deed or the Security Trust Deed (as the case may be).

Whether or not any such confirmation by a Rating Agency is made available to the Note Trustee or the Security Trustee (as the case may be), the Note Trustee or the Security Trustee (as the case may be) may in its sole discretion obtain advice satisfactory to the Note Trustee or the Security Trustee (as the case may be) from a financial (or other) advisor satisfactory to the Note Trustee or the Security Trustee (as the case may be) prior to the exercise by the Note Trustee or the Security Trustee (as the case may be) in any particular circumstance of any such power, trust, authority, duty or discretion. All costs and expenses of, or incurred in connection with, such advice will be borne by the Issuer.

12.5 Note Trustee and Security Trustee not liable to account

Each of the Note Trustee and Security Trustee, its related companies, employees and affiliates are entitled to enter into business transactions with the Issuer and any other party to the Transaction Documents without accounting for any profit resulting therefrom.

12.6 Note Trustee and Security Trustee not liable for Transaction Documents

Neither the Note Trustee nor the Security Trustee will be responsible for:

- (a) any recital, statement, representation or warranty of any person contained in the Security Trust Deed, the Note Trust Deed, the Notes or any other Transaction Document or any document relating to the Security or other documents entered into in connection herewith or therewith and will assume the accuracy and correctness thereof nor will the Security Trustee, by execution of the Security Trust Deed, nor the Note Trustee, by execution of the Note Trust Deed, be deemed to make any representation as to the validity, sufficiency or enforceability of either the whole or any part of the Security Trust Deed, the Note Trust Deed or any other Transaction Document;
- (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any Transaction Document or any document relating thereto or any Security constituted by the Security Documents; or
- (c) the accuracy and/or completeness of any information supplied to it by the Issuer or any other person in connection with, or for the legality, validity, effectiveness, adequacy or enforceability of any documents, certificates, reports or accounts relating thereto or the nature, status, creditworthiness or solvency of the Issuer or any other party to a Transaction Document and will not (save as otherwise provided herein) be responsible for circulating or forwarding such documents to any person and will not (save as otherwise provided herein) be liable or responsible for any losses to any person, howsoever caused, as a result of taking or omitting to take any action whatsoever in relation to any such documents or otherwise.

12.7 Trustees not liable for Transaction Participants

Neither the Note Trustee nor the Security Trustee will be under an obligation to monitor or supervise the functions of the Issuer or any other Transaction Participant under the Note Trust Deed, the Security Trust Deed, any other Transaction Document or the Charged Assets and will be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such person is properly performing its obligations.

12.8 Security Trustee not liable for Charged Assets

The Security Trust Deed provides that the Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, among other things:

- (a) any Charged Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of any party to a Transaction Document or any agent of such party or by Euroclear or Clearstream, Luxembourg or any other relevant clearing organisation or its operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Security Trustee, or
- (b) for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Assets.

12.9 Role of Agents

In acting under the Agency Agreement and in connection with the Notes, the Registrar, the Paying Agents and other Agents act solely as agents of the Issuer and (to the extent provided therein) the Note Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are as stated in the Agency Agreement. The Issuer reserves the right (with the prior written approval of the Note Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor in title registrar, principal paying agent, agent bank, expenses agent, exchange rate agent or calculation agent or, as the case may be, additional or successor in title paying agents or transfer agents, provided, however, that the Issuer will at all times maintain (a) a principal paying agent with its Specified Office located outside of the United States or its possessions and the unsecured short-term debt obligations of which are rated at least F1 by Fitch and P-1 by Moody's, (b) a paying agent with its Specified Office in a city of a Member State of the European Union which has opted for exchange of information, rather than withholding pursuant to the EU Savings Tax Directive, (c) a registrar, (d) for so long as the Notes are listed on the Irish Stock Exchange and the rules of that stock exchange so require, a paying agent and a transfer agent with its Specified Office in Ireland, (e) an agent bank, (f) an expenses agent and (g) an exchange rate agent the unsecured short-term debt obligations of which are rated at least F1 by Fitch and P-1 by Moody's.

Notice of any change in the appointment of any Agent or in the Specified Office of any Paying Agent or Transfer Agent will promptly be given to the Noteholders.

12.10 Role of Swap Agents

In acting under the Swap Agency Agreement, the Independent Confirmation Agent, the Calculation Agent and any other Swap Agents act solely as agents of the Issuer and the Portfolio Swap Counterparty and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

Notice of any change in the appointment of any Swap Agent will promptly be given to the Noteholders.

13. Meetings of Noteholders & Resolutions in respect of Approved Trading Matters

13.1 Meetings of Noteholders

The Note Trust Deed contains provisions, in respect of each Class of Notes, for convening meetings of Noteholders to consider matters relating to such Notes, including, without limitation, the modification of any provision of these Conditions or the Note Trust Deed in circumstances where the approval of Noteholders is required. Save as provided below any such modification may be made if sanctioned by an Extraordinary Resolution of the Controlling Class.

13.2 Extraordinary Resolutions

The majority required to pass an Extraordinary Resolution at a meeting of the Noteholders of a Class of Notes is 50 per cent. or more of the votes cast at such meeting. Such a meeting may be convened by the Note Trustee, the Issuer or by the Note Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate Initial Principal Balance of the outstanding Notes of the relevant Class.

13.3 Quorum

The quorum at any meeting of Noteholders convened to vote on an Extraordinary Resolution will be one or more persons representing or holding not less than the Relevant Fraction of the aggregate Initial Principal Balance of the outstanding Notes of the relevant Class.

13.4 Resolutions binding on Noteholders

Any resolution (whether an Extraordinary Resolution or otherwise) duly passed at any meeting of the holders of Notes of the Controlling Class will be binding on all Noteholders of all Classes whether or not present at such meeting, and each holder of Notes will be bound to give effect to it accordingly, **provided that** (save as otherwise provided in Condition 5.3 (*Early Redemption due to Collateral Acceleration*), Conditions 9.2 (*Note Default Notice*), Condition 13.5 (*Resolutions in respect of Approved Trading Matters*) and Condition 15 (*Enforcement*)):

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the Controlling Class will be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes (to the extent that Notes are outstanding in each such other Class);
- (b) no other resolution passed by the Controlling Class will be effective if, in the sole opinion of the Note Trustee, the effect of such resolution could materially prejudice the interests of the Noteholders of another Class of Notes

unless it is sanctioned by an Extraordinary Resolution of each other Class of Noteholders whose interests would, in the opinion of the Note Trustee, be adversely affected (to the extent that Notes are outstanding in each such Class); and

- (c) (regardless of whether at such time (1) an Early Termination Date (as defined in the Portfolio Credit Swap) has been designated under the Portfolio Credit Swap following an Event of Default in respect of which the Portfolio Swap Counterparty is the Defaulting Party (as defined in the Portfolio Credit Swap), or (2) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, a Repo Acceleration Event has been designated in the circumstances contemplated in Condition 5.3 (*Early Redemption due to Collateral Acceleration*) in respect of which the Eligible Repo Counterparty is the Defaulting Party (as defined in the Repurchase Agreement (if any)), the Portfolio Swap Counterparty and/or the Eligible Repo Counterparty (if any) have given their written consent in relation thereto to the Note Trustee and the Security Trustee (such consent not to be unreasonably withheld if, in the case of an Extraordinary Resolution, the passing of the Extraordinary Resolution would not, in the reasonable opinion of the Portfolio Swap Counterparty, or, as the case may be, the Eligible Repo Counterparty (if any), adversely affect the Portfolio Swap Counterparty and/or, as the case may be, the Eligible Repo Counterparty).

In addition, a resolution in writing (other than, for the avoidance of doubt, a Special Written Resolution) signed by or on behalf of all of the holders of a Class of Notes who for the time being are entitled to receive notice of a meeting of Noteholders of that Class under the Note Trust Deed will take effect as if it were an Extraordinary Resolution of the Noteholders of that Class. Such a resolution in writing may be contained in a document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Notes of the relevant Class.

13.5 Resolutions in respect of Approved Trading Matters

Any resolution in respect of an Approved Trading Matter:

- (a) duly adopted by way of Special Written Resolution by the holders of Notes of the Controlling Class will be binding on all Noteholders of all Classes; or
- (b) duly passed at any meeting of the holders of Notes of the Controlling Class will be binding on all Noteholders of all Classes whether or not present at such meeting,

and each holder of Notes will be bound to give effect to it accordingly.

14. Modification, Waiver and Substitution

14.1 Modification and Waiver

The Note Trustee may, without the consent or sanction of the Noteholders:

- (a) concur with the Issuer in making any modification of these Conditions, the Notes, the Note Trust Deed or any other Transaction Document (other than in respect of a Reserved Matter or an Approved Trading Matter) which is (1) in the sole opinion of the Note Trustee, proper to make (**provided that** such modification will not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders of any Class) or (2) of a formal, minor or technical nature or is to correct a manifest error or is requested in writing by the Issuer to allow it to comply with the requirements of any stock exchange, competent listing authority and/or quotation system on which or by which the Notes are then listed, quoted and/or traded (which may, for the avoidance of doubt, include admission to trading on a non-regulated market and/or be outside the European Union), **provided that**, in the sole opinion of the Note Trustee, such modification is proper to make; or
- (b) without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if, in the sole opinion of the Note Trustee, the interests of the Noteholders of any Class will not be materially prejudiced thereby, authorise or waive any proposed breach or breach of the covenants or provisions of these Conditions, the Note Trust Deed, the Notes or any other Transaction Document or determine that any Event of Default or Potential Event of Default or Collateral Acceleration Event will not be treated as such for the purposes of the Note Trust Deed and/or these Conditions.

Any such authorisation, waiver or modification will be binding on the Noteholders and the Issuer will cause such authorisation, waiver or modification to be notified to each Rating Agency and each stock exchange, competent listing authority and/or quotation system (if any, which may, for the avoidance of doubt, be outside the European Union, if so required by the rules thereof) on which or by which the Notes are then listed, quoted and/or traded (which may, for the avoidance of doubt, include admission to trading on a non-regulated market) and to the Noteholders as soon as practicable thereafter.

Any such modification or waiver of the Transaction Documents as described above will be subject to the consent of the Security Trustee and an Instructing Party.

14.2 Substitution

The Note Trustee and Security Trustee may, in the limited circumstances described in the Note Trust Deed and the Security Trust Deed and without the consent of the Noteholders, agree to the substitution, in place of the Issuer (or of any substitute which has previously replaced the Issuer) or its successor in business as the principal debtor of the Notes.

15. Enforcement

15.1 Enforcement of the Security

The Security will become enforceable on the Enforcement Date. The "**Enforcement Date**" will be the date which is the earlier of (a) the Note Default Notice Delivery Date or the Note Redemption Notice Delivery Date (as the case may be) and (b) the date that an Enforcement Notice is deemed to be delivered to the Issuer pursuant to the Security Trust Deed.

The Security Trustee will (1) upon receipt by it of a Note Default Notice or a Collateral Acceleration Note Redemption Notice or (2) following the occurrence of an Enforcement Event only, at its discretion or, if so directed by an Instructing Party subject, in either case, to being indemnified and/or secured to its satisfaction and unless it has already given such notice at such time, deliver a notice (an "**Enforcement Notice**") to the Issuer (with a copy to each Rating Agency, the Note Trustee, the Portfolio Swap Counterparty, the GIC Provider, the GIC Guarantor, any other Applicable Collateral Counterparty, any other Applicable Collateral Guarantor and each Agent) declaring that the Security has become enforceable either (A) pursuant to and upon the delivery of a Note Default Notice or a Collateral Acceleration Note Redemption Notice to the Issuer (as the case may be) or (B) following the occurrence of an Enforcement Event, as appropriate. The Issuer will procure that the Noteholders are notified of the receipt by the Issuer of a Note Default Notice, Collateral Acceleration Note Redemption Notice and/or an Enforcement Notice as soon as is practicable thereafter.

15.2 Proceedings by Note Trustee

Without prejudice to the provisions of Condition 16.2 (*Security Trustee only to Enforce*), any time following the occurrence of an Event of Default or a Collateral Acceleration Event which is continuing and has not been waived by the Note Trustee, the Note Trustee may, at its sole discretion and without further notice, institute or take such proceedings against the Issuer as it may think fit to enforce repayment of principal of the Notes (together with accrued interest thereon) and to enforce the provisions of the Note Trust Deed but it will not be bound to take any such action unless so directed to do so by an Extraordinary Resolution of the Noteholders of the Controlling Class or if so requested in writing by the holders of Notes of the Controlling Class, which Notes have an aggregate Initial Principal Balance equal to or greater than 50 per cent. of the Initial Principal Balance of the Notes of the Controlling Class then outstanding (subject to being indemnified and/or secured to its satisfaction).

15.3 Proceedings by Security Trustee

On and after the Enforcement Date, the Security Trustee (subject to it being indemnified and/or secured to its satisfaction) may in its sole discretion, but subject to the provisions of the Security Trust Deed and the other Transaction Documents, institute such proceedings against the Issuer as it may think fit, either to enforce the Security and/or enforce repayment of principal of the Notes (together with accrued interest thereon) and the other Secured Obligations.

16. Limited Recourse and No Petition

16.1 Limited Recourse

Notwithstanding any provision of the Security Trust Deed or of any other Transaction Document, all payments of principal and interest to be made by the Issuer under the Notes and all other payments to be made by the Issuer to the Secured Parties under the Transaction Documents will be payable only from the sums paid to, or net proceeds recovered by or on behalf of, the Issuer or the Security Trustee in respect of the Charged Assets and in accordance with the priority of application specified in Clause 8 (*Application of Moneys*) of the Security Trust Deed and there will be no other assets of the Issuer available for any further payments. The Security Trustee and the other Secured Parties will look solely to such sums and proceeds and the rights of the Issuer in respect of the Charged Assets for payments to be made by the Issuer. Having enforced the Security and distributed the net proceeds thereof in accordance with the terms of the Security Trust Deed, none of the Security Trustee nor any other Secured Party may take any further steps against the Issuer to recover any unpaid sum and the Issuer's liability for any such sum will be extinguished.

16.2 Security Trustee only to Enforce

Only the Security Trustee may pursue the remedies available under applicable law, under the Notes, the Security Trust Deed and the other Transaction Documents to enforce the rights of the Secured Parties against the Issuer and no other Secured Party will be entitled to proceed directly against the Issuer unless the Security Trustee, having become bound to proceed in accordance with the terms of the Security Trust Deed (after an Event of Default, a Collateral Acceleration Event or an Enforcement Event has occurred and is continuing) and after 30 calendar days notice to the Security Trustee by a Secured Party of such default, the Security Trustee has failed to act and such failure is continuing. In any event no Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so in accordance with the Note Trust Deed, fails to do so within a reasonable time and such failure is continuing.

16.3 No Petition

Neither the Security Trustee nor any other Secured Party will be entitled to petition or take any other step for the winding-up, reorganisation, liquidation, bankruptcy or insolvency of the Issuer for so long as the Notes are outstanding or for one year and a day after all the Notes have been paid in full, **provided that** the Security Trustee may prove or lodge a claim in liquidation of the Issuer initiated by another party and provided further that the Security Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer under the Security Trust Deed.

16.4 Directors, Shareholders and Officers

No person will have any recourse against any director, shareholder or officer of the Issuer in respect of any obligation, covenant or agreement entered into or made by the Issuer pursuant to the Security Trust Deed, the Note Trust Deed, the Notes or any other Transaction Document to which it is a party or any notice or document which it is requested to deliver hereunder or thereunder.

17. Notices

17.1 Notices to Noteholders

All notices to Noteholders, other than notices given in accordance with the following paragraphs of this Condition 17 (*Notices*), will be deemed to have been validly given if (a) published in (1) a leading daily newspaper printed in the English language with general circulation in Dublin (which is expected to be *The Irish Times*) or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee approves having a general circulation in Ireland and (2) if and for so long as any Rule 144A Note is outstanding, a leading daily newspaper printed in the English language with general circulation in the United States (which is expected to be *The Wall Street Journal* or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee approves having a general circulation in the United States) or (b) sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given (x) on the date of such publication or, if published more than once or on different dates, on the first date on which publication will have been made in the newspaper or newspapers in which publication is required or, as the case may be (y) on the fourth calendar day after the date of posting.

17.2 Delivery of notices via Clearing Systems

For so long as the Notes of any Class are represented by a Global Note Certificate, notices to Noteholders will be validly given if published as described above or, for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange do not so prohibit, at the option of the Issuer, if delivered to the Clearing Systems for communication by them to their accountholders and for communication by such accountholders to entitled participants. Any notice delivered to the Clearing System as aforesaid will be deemed to have been given on the day on which it is delivered to the Common Depository, the DTC Custodian, as the case may be, or such other person as a Clearing System may designate for the purposes of receiving such notices.

17.3 Electronic delivery of notices

Any notice will be deemed to have been validly given to Noteholders if the information contained in such notice appears on a page of the Reuters screen or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee and notified to the Noteholders pursuant to Condition 17.1 (*Notices to Noteholders*). Any such notice will be deemed to have been given on the first date on which such information appeared on the relevant screen and if so given publication of such notice in accordance with Conditions 17.1 (*Notices to Noteholders*) or 17.2 (*Delivery of notices via Clearing Systems*) will not be required. If it is impossible or impractical to give notice in accordance with this paragraph then notice of the matters referred to in this paragraph will be given in accordance with Condition 17.1 (*Notices to Noteholders*).

17.4 Provision of notices to Irish Stock Exchange

A copy of each notice given in accordance with this Condition 17 (*Notices*) will be provided to (for so long as the Notes of any Class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange and at all times to each Rating Agency. For the avoidance of doubt, and unless the context otherwise requires, all references to "rating" and "ratings" in these Conditions will be deemed to be references to the ratings assigned by the Rating Agencies.

17.5 Alternative method for giving of notice

The Note Trustee will be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded (which may, for the avoidance of doubt, include admission to trading on a non-regulated market and/or be outside the European Union) and **provided that** notice of such other method is given to the Noteholders in such manner as the Note Trustee will require.

17.6 Delivery of information pursuant to Rule 144A

So long as the Issuer is not at the relevant time a reporting company under Section 13 or 15(d) of the Exchange Act or is not exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon the request of a Holder of Rule 144A Notes, the Issuer will promptly furnish to such Holder and to a prospective purchaser of a Note as designated by such Holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Rule 144A Notes in accordance with the terms of the Note Trust Deed and the Agency Agreement.

18. Contracts (Rights Of Third Parties) Act 1999

No person will have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this will not affect any right or remedy of a third party which exists or is available apart from that Act.

19. Governing Law and Jurisdiction

19.1 Governing law

The Note Trust Deed and the Notes are governed by, and will be construed in accordance with, English law.

19.2 Jurisdiction

The Issuer has in the Note Trust Deed (a) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any suit, action or proceedings or settling any disputes arising out of or in connection with the Note Trust Deed or the Notes, (b) waived any objection which it might have to any court being nominated as the forum to hear and determine any such suit, action or proceedings or to settle any such disputes and agreed not to claim that any such court is not a convenient or appropriate forum and (c) designated Bedell Trust UK Limited, 2nd Floor, 11 Old Jewry, London, EC2R 8DU, Attention: The Directors, to accept service of any process on its behalf.

20. Definitions

In these Conditions, the following expressions have the following meanings.

"**1940 Act**" means the United States Investment Company Act of 1940, as amended.

"**ABS Reference Entity Credit Event**" has the meaning given to it in the Portfolio Credit Swap.

"**Account Bank**" means The Bank of New York, acting through its principal office in the United Kingdom, as account bank pursuant to the Account Bank Agreement and any successor in title thereto.

"**Account Bank Agreement**" means the account bank agreement dated the Closing Date between the Issuer, the Account Bank and others, together with any agreement for the time being in force amending or supplementing such agreement or any replacement account bank agreement executed from time to time pursuant to a novation.

"**Accounts**" means the Interest Collections Account, the Cash Reserve Account, the Principal Collections Account, and, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, any Euro Repo Cash Account, any Dollar Repo Substitutions Account and any Sterling Repo Substitutions Account.

"**Additional Amounts**" has the meaning given to it in Condition 8 (*Taxation*).

"**Adjusted Principal Balance**" means:

- (a) with respect to any Class of Notes on any date or any time of determination, an amount equal to:
 - (1) the Initial Principal Balance of such Class of Notes;
 - (2) minus the aggregate amount of Noteholder Contributions allocated to such Class in reduction of the Adjusted Principal Balance of such Class pursuant to Condition 5.11 (*Reduction of Adjusted Principal Balance*) on or before such date or time;
 - (3) minus the aggregate amount of payments, if any, of principal made (or for the purposes of determining interest, due and payable) in respect of such Class of Notes on or before such date or time; and
 - (4) plus the aggregate amount of Reinstatement Amounts, if any, applied in the reinstatement of such Class made pursuant to Condition 5.12 (*Reinstatement of Adjusted Principal Balance*) on or before such date or time;
- (b) with respect to a Note of a Class on any date, a proportion of the Adjusted Principal Balance of that Class on that date equal to the proportion that the Initial Principal Balance of the relevant Note bears to the Initial Principal Balance of such Class; and
- (c) with respect to the Notes, the aggregate of the Adjusted Principal Balance of each Class.

"**Administration and Cash Management Agreement**" means the administration and cash management agreement dated the Closing Date and made between the Issuer, the Administrator and others together with any agreement for the time being in force amending or supplementing such agreement.

"**Administrator**" means KBC Bank NV acting as administrator pursuant to the Administration and Cash Management Agreement and any successor in title thereto.

"**Agency Agreement**" means the agency agreement dated the Closing Date between the Issuer, the Agents, the Note Trustee and others, together with any agreement for the time being in force amending or supplementing such agreement or any replacement agency agreement executed from time to time pursuant to a novation.

"**Agent Bank**" means The Bank of New York, acting through its principal office in the United Kingdom, in its capacity as agent bank pursuant to the Agency Agreement and any successor in title thereto.

"**Agents**" means the Agent Bank, the Expenses Agent, the Principal Paying Agent and the other Paying Agents, the Registrar, the other Transfer Agents, the Exchange Rate Agent and any other person appointed as an "Agent" from time to time under the Agency Agreement (as amended from time to time) by agreement between the Issuer and the Portfolio Swap Counterparty or, in each case, any successor in title thereto, and any reference to an "**Agent**" is to any one of them.

"**Alternative Collateral Arrangement**" means with respect to a reinvestment of the Collateral Principal Proceeds after the Closing Date, any form of Collateral Arrangement other than the form of Collateral Arrangement in which the Collateral Principal Proceeds are currently invested.

"**Applicable Collateral Arrangement**" means as at any time any Collateral Arrangement or Collateral Arrangements in which the Collateral Principal Proceeds (or part thereof) are then invested.

"**Applicable Collateral Counterparty**" means:

- (a) if the Applicable Collateral Arrangement is or includes a GIC Arrangement, the Eligible GIC Provider,
- (b) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Eligible Repo Counterparty, and/or
- (c) the Applicable Collateral Arrangement is or includes a TRS Arrangement, the Eligible TRS Counterparty.

"**Applicable Collateral Guarantee**" means:

- (a) if the Applicable Collateral Arrangement is or includes a GIC Arrangement, the GIC Guarantee,
- (b) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, a Repo Guarantee, and/or
- (c) if the Applicable Collateral Arrangement is or includes a TRS Arrangement, the guarantee documenting the guarantor's obligations in respect of the applicable Eligible TRS Counterparty's obligations under the TRS Arrangement.

"Applicable Collateral Guarantor" means:

- (a) if the Applicable Collateral Arrangement is or includes a GIC Arrangement, the GIC Guarantor,
- (b) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Repo Guarantor, and/or
- (c) the Applicable Collateral Arrangement is or includes a TRS Arrangement, a guarantor in respect of the obligations of the applicable Eligible TRS Counterparty under the TRS Arrangement.

"Applicable Collateral Tax Event" means:

- (a) if the Applicable Collateral Arrangement is or includes a GIC Arrangement, a GIC Tax Event,
- (b) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, a Repo Tax Event, and/or
- (c) if the Applicable Collateral Arrangement is or includes a TRS Arrangement, a TRS Tax Event.

"Approved Form" means:

- (a) with respect to the Repurchase Agreement, substantially in the form of the repurchase agreement attached as Schedule 1 to the Collateral Switch Agreement; and
- (b) with respect to the Custody Agreement, substantially in the form of the custody agreement attached as Schedule 2 to the Collateral Switch Agreement,

in each case with such amendments as the Portfolio Swap Counterparty may consider to be appropriate at the relevant time as agreed with the Issuer.

"Approved Trading Matter" means, in circumstances where the Portfolio Swap Counterparty is seeking to procure the satisfaction of the Controlling Class Trading Test for the purposes of the Moody's Trading Model Test, any proposal:

- (a) to consent to the Replacement in respect of which such Controlling Class Trading Test is required to be satisfied; or
- (b) to consent to the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during a Controlling Class Approved Replacement Period.

"Authorised Denomination" has the meaning given to it in Condition 1.1 (*Form and Denomination of the Notes*).

"Authorised Holding" has the meaning given to it in Condition 1.1 (*Form and Denomination of the Notes*).

"Belgian PIL Code" means the Belgian law on the code of private international law of 16 July, 2004.

"Book-Entry Interest" means the beneficial ownership interests in Notes represented by the Global Note Certificates, the ownership of which will be evidenced, and transfers of which will be made, through book entries by DTC, Euroclear and/or Clearstream, Luxembourg (or any other relevant Clearing System) from time to time as described herein.

"Bookrunner" means KBC Bank as Bookrunner pursuant to the Subscription Agreement.

"Business Day" means any TARGET Settlement Day on which commercial banks and foreign exchange markets are generally open to settle payments in London, Brussels, New York and Dublin.

"Calculation Agent" means KBC Bank NV as calculation agent pursuant to the Swap Agency Agreement and any successor in title thereto.

"Cash Reserve Account" means the account, denominated in Euro, specified as such in or pursuant to the Account Bank Agreement or such other account denominated in Euro as the Security Trustee, the Issuer and the Portfolio Swap Counterparty may agree to substitute in place thereof.

"Cash Reserves" means, for any Payment Date, the sum of the funds standing to the credit of, or credited to, the Cash Reserve Account on such date.

"Cash Settlement Amount" means the amount of any credit protection payment which the Issuer is obliged to pay to the Portfolio Swap Counterparty as determined pursuant to the Portfolio Credit Swap.

"Cash Settlement Date" has the meaning given to it in the Portfolio Credit Swap.

"Centre of Main Interests" means in relation to a person, its centre of main interests within the meaning of the EC Regulation on Insolvency Proceedings 2000.

"**Charged Assets**" has the meaning given to it in Condition 2.2 (*Security*).

"**Cheque**" means, in the case of a payment in relation to a Note, a Euro cheque.

"**Class A1 Noteholders**" means the Holders for the time being of the Class A1 Notes.

"**Class A1 Notes**" means the EUR 93,550,000 Class A1 Floating Rate Credit-Linked Notes.

"**Class A2 Noteholders**" means the Holders for the time being of the Class A2 Notes.

"**Class A2 Notes**" means the EUR 120,000,000 Class A2 Floating Rate Credit-Linked Notes.

"**Class B Noteholders**" means the Holders for the time being of the Class B Notes.

"**Class B Notes**" means the EUR 112,500,000 Class B Floating Rate Credit-Linked Notes.

"**Class C Noteholders**" means the Holders for the time being of the Class C Notes.

"**Class C Notes**" means the EUR 105,000,000 Class C Floating Rate Credit-Linked Notes.

"**Class D Noteholders**" means the Holders for the time being of the Class D Notes.

"**Class D Notes**" means the EUR 82,500,000 Class D Floating Rate Credit-Linked Notes.

"**Class E Noteholders**" means the Holders for the time being of the Class E Notes.

"**Class E Notes**" means the EUR 67,500,000 Class E Floating Rate Credit-Linked Notes.

"**Class F Noteholders**" means the Holders for the time being of the Class F Notes.

"**Class F Notes**" means the EUR 40,000,000 Class F Floating Rate Credit-Linked Notes.

"**Class G Noteholders**" means the Holders for the time being of the Class G Notes.

"**Class G Notes**" means the EUR 37,500,000 Class G Floating Rate Credit-Linked Notes.

"**Class H Noteholders**" means the Holders for the time being of the Class H Notes.

"**Class H Notes**" means the EUR 30,000,000 Class H Floating Rate Credit-Linked Notes.

"**Class**" and "**Class of Notes**" are defined in the preamble to the Conditions.

"**Clearing System**" means any of DTC, Euroclear and Clearstream, Luxembourg (and together, the "**Clearing Systems**").

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme, or any successor in business thereto.

"**Closing Date**" means 28 February, 2007 or such other date as the Bookrunner and the Issuer may agree in writing.

"**Collateral Arrangement**" means a GIC Arrangement, a Repo Arrangement or a TRS Arrangement, as the case may be.

"**Collateral Acceleration Event**" means:

- (a) if the Applicable Collateral Arrangement is or includes a GIC Arrangement, a GIC Acceleration Event,
- (b) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, a Repo Acceleration Event, and/or
- (c) if the Applicable Collateral Arrangement is or includes a TRS Arrangement, a TRS Acceleration Event.

"**Collateral Acceleration Note Redemption Notice**" is defined in Condition 5.3 (*Early Redemption due to Collateral Acceleration*).

"**Collateral Event of Default**" means:

- (a) if the Applicable Collateral Arrangement is or includes a GIC Arrangement, a GIC Event of Default,
- (b) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, a Repo Event of Default, and/or
- (c) if the Applicable Collateral Arrangement is or includes a TRS Arrangement, a TRS Event of Default.

"Collateral Principal Proceeds" means (a) in respect of any principal amount due on the Notes and/or any Cash Settlement Amount due under the Portfolio Credit Swap, the funds available to and/or realised or withdrawn by the Issuer for the payment thereof in accordance with the Collateral Realisation Procedures and (b) in any other respect, the net proceeds of the Notes or any investment of the Issuer derived therefrom.

"Collateral Realisation Procedures" means that for the purposes of funding any Cash Settlement Amount due under the Portfolio Credit Swap the Issuer will, first, apply funds standing to the credit of the Accounts (and which are, in accordance with the Pre-Enforcement Order of Priority and the Security Trust Deed, available for the payment of such obligations) and only to the extent that insufficient funds are available, second, withdraw cash from or sell securities representing the Applicable Collateral Arrangement to the extent required to make such payment, and in the event there is more than one Applicable Collateral Arrangement, first withdraw cash from any GIC Arrangement to the extent required to make such payment and second, only to the extent that insufficient funds are available and/or realised thereby (including, for the avoidance of doubt, pursuant to the enforcement of the GIC Guarantee), sell Repo Collateral to the Eligible Repo Counterparty to the extent necessary to realise sufficient additional funds required to make such payment and third, only to the extent that insufficient funds are available and/or realised thereby effect TRS Principal Realisations to the extent necessary to realise sufficient funds required to make such payment.

"Collateral Switch Agreement" means the collateral switch agreement dated the Closing Date between the Issuer, the Administrator, the Portfolio Swap Counterparty and the Security Trustee together with any agreement for the time being in force amending, supplementing or novating such agreement.

"Collateral Switch Conditions" means:

- (a) with respect to an investment of the Collateral Principal Proceeds (or part thereof) in a GIC Arrangement:
 - (1) the Issuer has provided written notice of the termination of the existing Collateral Arrangement and of the proposed re-investment to Moody's and Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected thereby;
 - (2) the Issuer has provided written notice of such termination and re-investment to Fitch; and
 - (3) the Issuer has granted to the Security Trustee security in respect of its rights, interests and benefits in respect of each investment agreement constituting the GIC Arrangement in a form satisfactory to the Security Trustee;
- (b) with respect to an investment of the Collateral Principal Proceeds (or part thereof) in a Repo Arrangement:
 - (1) the Issuer has provided written notice of the termination of the existing Collateral Arrangement and of the proposed re-investment to Moody's and Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected thereby;
 - (2) the Issuer has provided written notice of such termination and re-investment to Fitch;
 - (3) the Issuer has (A) entered into a Repurchase Agreement in the Approved Form with an Eligible Repo Counterparty and applied the Collateral Principal Proceeds (or part thereof) to purchase from such Eligible Repo Counterparty Eligible Investments having an aggregate Market Value at least equal to the amount of such Collateral Principal Proceeds pursuant to such Repurchase Agreement and (B) entered into a Custody Agreement in the Approved Form with an Eligible Custodian pursuant to which the Eligible Custodian is required to agree, among other things, to hold in custody the Eligible Investments purchased by the Issuer pursuant to the Repurchase Agreement; and
 - (4) the Issuer has granted to the Security Trustee security in respect of its rights, interests and benefits in respect of the Repurchase Agreement and the Custody Agreement in a form satisfactory to the Security Trustee;
- (c) with respect to an investment of the Collateral Principal Proceeds (or part thereof) in a TRS Arrangement:
 - (1) the Issuer has provided written notice of the termination of the existing Collateral Arrangement and of the proposed re-investment to Moody's and Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected thereby;
 - (2) the Issuer has provided written notice of such termination and re-investment to Fitch;
 - (3) the Issuer has executed the total return swap agreement, the debt securities purchase agreement (if any) and any ancillary documentation together constituting the TRS Arrangement each in a form satisfactory to the Security Trustee; and
 - (4) the Issuer has granted, to the Security Trustee security in respect of its rights, interests and benefits in respect of each agreement constituting the TRS Arrangement in a form satisfactory to the Security Trustee.

"Collateral Switch Date" means any Business Day designated by the Portfolio Swap Counterparty as a date upon which the Collateral Principal Proceeds are to be reinvested in an Alternative Collateral Arrangement.

"Collateral Transfer Amount" means the amount that is required to be reinvested in an Alternative Collateral Arrangement pursuant to the Collateral Switch Agreement.

"Common Depositary" has the meaning given to it in Condition 1.1 (*Form and Denomination of the Notes*).

"Conditions" has the meaning given to it in the preamble to the Conditions.

"Controlling Class" means, if and so long as any Class A1 Notes remain outstanding, the Class A1 Notes or, as the context may require, the holders of the Class A1 Notes, otherwise, if and so long as any Class A2 Notes remain outstanding, then the Class A2 Notes or, as the context may require, the holders of the Class A2 Notes, otherwise, if and so long as any Class B Notes remain outstanding, then the Class B Notes or, as the context may require, the holders of the Class B Notes, otherwise, if and so long as any Class C Notes remain outstanding, then the Class C Notes or, as the context may require, the holders of the Class C Notes, otherwise, if and so long as any Class D Notes remain outstanding, then the Class D Notes or, as the context may require, the holders of the Class D Notes, otherwise, if and so long as any Class E Notes remain outstanding, then the Class E Notes or, as the context may require, the holders of the Class E Notes, otherwise, if and so long as any Class F Notes remain outstanding, then the Class F Notes or, as the context may require, the holders of the Class F Notes, otherwise, if and so long as any Class G Notes remain outstanding, then the Class G Notes or, as the context may require, the holders of the Class G Notes, otherwise, if and so long as any Class H Notes remain outstanding, then the Class H Notes or, as the context may require, the holders of the Class H Notes.

"Controlling Class Approved Replacement Period" means a period during which the Portfolio Swap Counterparty may make Replacements, which may be quarterly, semi-annual, annual or such other period ending on or before the Scheduled Amortisation Commencement Date as the Controlling Class may resolve and specify in its absolute discretion.

The **"Controlling Class Trading Test"** is satisfied as at any time (or, if a Controlling Class Approved Replacement Period has been specified, during such Controlling Class Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to the Note Trustee (with a copy to Moody's) that the Noteholders of the Controlling Class have passed a resolution in respect of an Approved Trading Matter in accordance with the Conditions consenting to either: (i) such Replacement; or (ii) the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during such Controlling Class Approved Replacement Period.

"Corporate Services Agreement" means the corporate services agreement dated the Closing Date between the Issuer, the Administrator and the Corporate Services Provider, together with any agreement for the time being in force amending or supplementing such agreement.

"Corporate Services Provider" means Bedell Trust Company Limited as corporate services provider pursuant to the Corporate Services Agreement and any successor in title thereto.

"Coupon Step-Up Date" has the meaning given thereto in Condition 4.2 (*Rate of Interest*).

"Covered Expenses" means, in respect of any Payment Date or the Closing Date as the case may be, the Expenses of which the Calculation Agent and the Portfolio Swap Counterparty, after consultation with the Administrator, or following written notification thereof to each such party are informed, as of the fourth Business Day preceding such Payment Date (or before the Closing Date, as the case may be) are due or are anticipated by the Administrator to fall due to be paid by the Issuer on or prior to the next succeeding Payment Date or have become due and payable and were not previously funded.

"Currency Rate" means, for any currency, the conversion rate determined for that currency pursuant to the Agency Agreement.

"Custody Account" has the meaning given to it in any Custody Agreement.

"Custody Agreement" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, any custody agreement entered into pursuant to the Collateral Switch Agreement substantially in the form of the Approved Form Custody Agreement together with any agreement for the time being in force amending or supplementing such agreement or any replacement custody agreement executed from time to time pursuant to a novation.

"Defaulting Party" has the meaning given to it in the Portfolio Credit Swap, the Investment Agreement or, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Repurchase Agreement, or, if the Applicable Collateral Arrangement is or includes a TRS Arrangement, any agreement constituting the TRS Arrangement, as the context requires.

"Definitive Note Certificate" means (a) each definitive note certificate issued or to be issued in respect of a Note and (b) when prefixed by the name of a Class of Notes, the notes in definitive registered form issued or to be issued in respect of the Notes of such Class pursuant to, and in the circumstances specified in, the Note Trust Deed representing a Noteholder's entire initial holding of Notes of that Class and includes any replacements for such Definitive Certificates issued pursuant to Condition 11 (*Replacement of Note Certificates*).

"Designated Maturity" means three months.

"Distributable Principal Amount" means, as of any Payment Date, an amount equal to the aggregate Adjusted Principal Balance of the Notes on such Payment Date (before giving effect to any reduction adjustment applicable thereto on such date) minus the Maximum Noteholder Contribution Liability determined in respect of such Payment Date.

"Distribution Compliance Period" means the first Business Day that is 40 calendar days after the later of the commencement of the offering of the Notes and the Closing Date.

"Diverted Amount" has the meaning given to it in Condition 6.2 (*Application of Principal Collections* and, if any, Repo Collections).

"Dollar Repo Substitutions Account" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the account, denominated in Dollars, specified as such in or pursuant to the Account Bank Agreement or such other account denominated in Dollars as the Security Trustee, the Issuer and the Portfolio Swap Counterparty may agree to substitute in place thereof.

"DTC" means The Depository Trust Company or any successor depository.

"DTC Custodian" has the meaning given to it in Condition 1.1 (*Form and Denomination of the Notes*).

"Early Termination Date" has the meaning given to it in the Portfolio Credit Swap.

"EC Treaty" means 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 as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997).

"Eligible Custodian" means any entity (including any successor in title thereto) which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guaranty insurance policy in a form acceptable to the Rating Agencies, as may be selected by the Portfolio Swap Counterparty in accordance with the terms of the Collateral Switch Agreement. For the avoidance of doubt, KBC Bank or any of its affiliates may, subject only to the satisfaction of the Eligible Custodian criteria, be an Eligible Custodian.

"Eligible GIC Provider" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or financial guaranty insurance policy in a form acceptable to the Rating Agencies, and which is or is to be a counterparty to the Issuer under a GIC Arrangement.

"Eligible Investments" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the types of securities denominated in Dollars, Euro and/or Sterling which the Eligible Repo Counterparty is entitled to sell or to deliver by way of margin or substitution to the Issuer pursuant to a Repurchase Agreement.

"Eligible Repo Counterparty" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guaranty insurance policy in a form acceptable to the Rating Agencies, and which is or is to be a counterparty to the Issuer under a Repurchase Agreement and, in each case, in such capacity and including any successor in title thereto.

"Eligible TRS Counterparty" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guaranty insurance policy in a form acceptable to the Rating Agencies, and which is or is to be a counterparty to the Issuer under a TRS Arrangement.

"Enforcement Date" has the meaning given to it in Condition 15.1 (*Enforcement of the Security*).

"Enforcement Event" means, any of the following events:

- (a) the Security Trustee ceases to have a valid and enforceable security interest in all or, in the sole opinion of the Security Trustee, a material part of the Charged Assets;
- (b) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of any other Transaction Document which failure is, in the sole opinion of the Security Trustee (1) materially prejudicial to the interests of any Instructing Party and (2) incapable of remedy or, if capable of remedy, continues unremedied for a period of 30 calendar days (or such longer period as the Security Trustee, in its absolute discretion, may agree with the Issuer) following the delivery by the Security Trustee of written notice thereof to the Issuer;
- (c) proceedings are initiated against the Issuer under any applicable Insolvency Law and such proceedings are not, in the sole opinion of the Security Trustee, being disputed in good faith and with a reasonable prospect of success, having received such legal advice and or other professional advice as it may deem necessary and on which it may rely without any liability for so doing, or a receiver, administrator, conservator or other similar official (a **"receiver"**) is appointed pursuant to any Insolvency Law or a Receiver is appointed under the Security Trust Deed in relation to the Issuer or, in

each case, in relation to the whole or substantially the whole of the undertaking or assets of the Issuer, or a winding up petition is presented in respect of, or a distress or execution or other process is levied or enforced upon or sued out against, the whole or substantially the whole of the undertaking or assets of the Issuer and such possession or process (as the case may be) is not discharged or does not otherwise cease to apply within 30 calendar days, or an application is made for the appointment of an administrator in relation to the Issuer, or the Issuer is deemed by a court to be insolvent, bankrupt or unable to pay its debts, or the Issuer initiates (by way of formal application to any court) or consents to judicial proceedings relating to itself under any applicable Insolvency Law, or seeks (by way of formal application to any court) the appointment of a receiver or an administrator, or makes a conveyance or assignment for the benefit of its creditors generally or otherwise becomes subject to any reorganisation or amalgamation (other than on terms previously approved in writing by the Security Trustee);

- (d) the obligation of an Applicable Collateral Counterparty under the agreement constituting the Applicable Collateral Arrangement is accelerated thereunder as a result of a Collateral Event of Default; or
- (e) in breach of Clauses 10.1(d) (*Comply with Transaction Documents*) and/or 10.2(i) (*No Amendment of Transaction Documents*) of the Security Trust Deed the Issuer concurs in the amendment or modification of any Transaction Document or agrees to waive or authorises any breach thereof without the prior written consent of the Security Trustee.

"**Enforcement Notice**" has the meaning given to it in Condition 15.1 (*Enforcement of the Security*).

"**Enforcement Order of Priority**" has the meaning given to it in Condition 6.4 (*Proceeds on Enforcement*)

"**EU Savings Tax Directive**" has the meaning given to it in Condition 8 (*Taxation*).

"**EURIBOR**" means the Euro Interbank Offered Rate.

"**Euro**", "**euro**", "**€**" and "**EUR**" each mean the lawful currency from time to time of the Member States of the European Union that adopt the single currency in accordance with the EC Treaty.

"**Euro Equivalent**" means, in respect of any non-euro currency amount, such amount converted into euro at the applicable Currency Rate.

"**Euro Repo Cash Account**" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the account, denominated in Euro, specified as such in or pursuant to the Account Bank Agreement or such other account denominated in Euro as the Security Trustee, the Issuer and the Portfolio Swap Counterparty may agree to substitute in place thereof.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System or any successor in business thereto.

"**European Union**" means the supranational organisation of states established with that name by the Treaty on European Union (signed in Maastricht on 7 February, 1992) as enlarged by the Treaty of Accession (signed in Athens on 16 April, 2003), and as may be enlarged from time to time by the agreement of the member states thereof.

"**Euro-zone**" means the region comprised of Member States of the European Union that adopt the Euro in accordance with the EC Treaty.

"**Event of Default**" has the meaning given to it in Condition 9.1 (*Events of Default*).

"**Exceptional Expenses**" means any fees, expenses, out-of-pocket expenses, costs, liabilities or indemnity amounts or other amounts (inclusive of value added tax) which are (a) incurred or claimed by the Note Trustee, the Security Trustee, any Receiver or any Operating Creditor other than in the ordinary course of business as anticipated by the provisions of any Transaction Document and which are payable by the Issuer under a Transaction Document to which it is a party or (b) payable other than pursuant to a Transaction Document.

"**Exchange Rate Agent**" means The Bank of New York, as exchange rate agent pursuant to the Agency Agreement and any successor in title thereto and any replacement and/or additional exchange rate agent appointed from time to time pursuant to the Agency Agreement.

"**Expenses Agent**" means KBC Bank NV as expenses agent pursuant to the Agency Agreement and any successor in title thereto or any replacement and/or additional expenses agent appointed from time to time pursuant to the Agency Agreement.

"**Expenses**" means, any fees, expenses (including, without limitation, Exceptional Expenses), out of pocket expenses, costs, liabilities or indemnity amounts or other amounts (inclusive of value added tax) which are incurred or claimed by the Note Trustee, the Security Trustee, any Receiver or any Operating Creditor and which are payable by the Issuer.

"**Extraordinary Resolution**" means a resolution passed at a meeting of a class or classes of Noteholder duly convened and held in accordance with the provisions of the Note Trust Deed, by a majority of not less than one half of the votes cast.

"**Fitch**" means Fitch, Inc., Fitch Ratings Ltd. and their respective subsidiaries, including Derivative Fitch, Inc. and Derivative Fitch Ltd. and any successor or successors thereto.

"**Following Business Day Convention**" means that, if any Payment Date (or other relevant date) would otherwise fall on a day which is not a Business Day, it will be postponed to the next Business Day.

"**GBP**" and "**Sterling**" each means the lawful currency from time to time of the United Kingdom.

"**GIC Acceleration Event**" means the acceleration of the obligations of an Eligible GIC Provider under an investment agreement or equivalent agreement constituting (in whole or in part) a GIC Arrangement as a result of a GIC Event of Default.

"**GIC Arrangement**" means an arrangement whereby funds denominated in Euro are deposited with or transferred to or at the direction of an Eligible GIC Provider subject to the terms of a guaranteed investment contract or cash deposit agreement and any ancillary documentation (to be entered into by, at least, the Issuer, the Administrator and the relevant Eligible GIC Provider), and which arrangement provides (a) for periodic interest payments to the Issuer calculated by applying a rate of interest to the balance from time to time of the amount invested, (b) repayment (in whole or in part) to the Issuer of the amount invested to the extent that such funds are required by the Issuer to meet its payment obligations under the Transaction Documents or in connection with a transfer of Collateral Principal Proceeds after the Closing Date to an Alternative Collateral Arrangement, and (c) that payment of interest on and the repayment of the principal amount of the funds invested in such arrangement are guaranteed (or otherwise supported or insured) by or are a primary obligation of the relevant Eligible GIC Provider.

"**GIC Event of Default**" has the meaning given to Event of Default in the Investment Agreement.

"**GIC Guarantee**" means the guarantee to be dated the Closing Date pursuant to which the GIC Guarantor will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the GIC Provider in accordance with the terms of the Investment Agreement or any replacement guarantee with respect to the GIC Provider's obligations under the Investment Agreement.

"**GIC Guarantor**" means KBC Bank as guarantor pursuant to the GIC Guarantee and any successor in title thereto.

"**GIC Interest**" means the periodic interest payments payable to the Issuer pursuant to the terms of the Investment Agreement.

"**GIC Provider**" means KBC Investments Hong Kong Limited as GIC provider pursuant to the Investment Agreement, and any successor in title thereto.

"**GIC Tax Event**" has the meaning (if any) given to GIC Tax Event in the Investment Agreement.

"**Global Note Certificate**" means a permanent global note certificate in fully registered form without interest coupons which represents Notes of a Class and which is issued pursuant to the Note Trust Deed, as amended from time to time in accordance with the provisions thereof and any replacement therefor and "**Global Note Certificates**" means the Global Rule 144A Notes and Global Reg S Notes, and with respect to any Class, the Global Rule 144A Note thereof will be the Global Note Certificate "corresponding" to the Global Reg S Note thereof and vice versa. References in these Conditions to any interest in a Global Note Certificate will be deemed to refer to an interest in the Notes represented by such Global Note Certificate.

"**Global Reg S Note**" means (a) a permanent Global Note Certificate in fully registered form without interest coupons which represents Notes of a Class which are Reg S Notes and which is issued pursuant to the Note Trust Deed and any replacement therefor and (b) when prefixed by the name of a Class of Notes, means the permanent Global Note Certificate in fully registered form without interest coupons which represents the Notes of such Class which are Reg S Notes and which is issued pursuant to the Note Trust Deed and any replacement therefor. References herein to any interest in a Global Reg S Note will be deemed to refer to an interest in the Notes represented by such Global Reg S Note.

"**Global Reg S Notes**" means Global Reg S Notes of any Class issued pursuant to the Note Trust Deed.

"**Global Rule 144A Note**" means (a) a permanent Global Note Certificate in fully registered form without interest coupons which represents Notes of a Class which are Rule 144A Notes and which is issued pursuant to the Note Trust Deed and any replacement therefor and (b) when prefixed by the name of a Class of Notes, the permanent Global Note Certificate in fully registered form without interest coupons which represents Notes of such Class which are Rule 144A Notes and which is issued pursuant to the Note Trust Deed and any replacement therefor. References herein to any interest in a Global Rule 144A Note will be deemed to refer to an interest in the Notes represented by such Global Rule 144A Note.

"**Global Rule 144A Notes**" means Global Rule 144A Notes of any Class issued pursuant to the Note Trust Deed.

"**Holder**" means a person in whose name a Note is registered and, in respect of a Note, in whose name that Note is registered, in the register of Noteholders (or in the case of joint holders, the first named thereof) save that, if and for so long as any Note is represented by a Global Note Certificate, the person or persons for the time being shown in the records of DTC,

Clearstream, Luxembourg or Euroclear (other than any such Clearing System if it is an account holder at another such Clearing System) as being holders of Notes (in which regard any certificate or other document issued by DTC, Clearstream, Luxembourg or Euroclear as to the Initial Principal Balance of such Notes standing to the account of any person will be conclusive and binding) for all purposes of the Note Trust Deed other than for the purposes of payments in respect thereof, the right to which will be vested, as against the Issuer, solely in the registered Holder of such Global Note Certificate in accordance with and subject the terms of the Note Trust Deed and such Global Note Certificate and the words "**holder**" and "**holders**" will be (where appropriate) construed accordingly.

"**Income**" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the interest, dividends and other distributions earnings in respect of the Repo Collateral (in the form of Eligible Investments) and payable to the Eligible Repo Counterparty subject to and in accordance with a Repurchase Agreement.

"**Increased Cost**" means any circumstance, tax or other imposition referred to in Condition 5.2(a)(2).

"**Independent Confirmation Agent**" means The Bank of New York, acting through its principal office in the United Kingdom, as independent confirmation agent pursuant to the Swap Agency Agreement and any successor in title thereto.

"**Independent Dealer**" means any of Citigroup Global Markets, Credit Suisse Holdings (USA), Inc., Deutsche Bank AG, JP Morgan Securities Inc., Lehman Brothers Inc. or Morgan Stanley & Co. Inc. or any Affiliate thereof or such other Dealer as the Calculation Agent may, in good faith select, but excluding, for the avoidance of doubt, KBC Bank and its Affiliates unless each Rating Agency has provided written confirmation to Issuer that its then current rating of the Notes of each Class rated by such Rating Agency would not be adversely affected by such selection.

"**Independent Valuation Agent**" has the meaning given to it in the Portfolio Credit Swap.

"**Independent Verification Agent**" has the meaning given to it in the Portfolio Credit Swap.

"**Initial Principal Balance**" means, (a) in respect of the Class A1 Notes, EUR 93,550,000, in respect of the Class A2 Notes, EUR 120,000,000, in respect of the Class B Notes, EUR 112,500,000, in respect of the Class C Notes, EUR 105,000,000, in respect of the Class D Notes, EUR 82,500,000, in respect of the Class E Notes, EUR 67,500,000, in respect of the Class F Notes, EUR 40,000,000, in respect of the Class G Notes, EUR 37,500,000 and in respect of the Class H Notes, EUR 30,000,000 (b) in respect of all the Notes, the aggregate thereof, (c) with respect to a Note of any Class, the amount recorded in the Register as the original principal amount outstanding of that Note (**provided that**, at any time, the Initial Principal Balance of all the Notes of a Class will equal the Initial Principal Balance of that Class), (d) with respect to a holding of Notes of a Class, aggregate Initial Principal Balance of each Note of such Class in such holding and (e) with respect to a Global Note Certificate, the aggregate Initial Principal Balance of the Notes represented thereby.

"**Insolvency Law**" has the meaning given to it in Condition 9.1(d) (*Insolvency Proceedings*).

"**Instructing Party**" means, prior to the Enforcement Date:

- (a) each of the Portfolio Swap Counterparty (unless at such time an Early Termination Date has been designated by the Issuer in respect of the Portfolio Credit Swap following an Event of Default in respect of which the Portfolio Swap Counterparty is the Defaulting Party, as such terms are defined in the Portfolio Credit Swap, or at such time no amounts remain payable or potentially payable to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap) and, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Eligible Repo Counterparty (unless at such time an Event of Default has occurred under the Repurchase Agreement in respect of which the Eligible Repo Counterparty is the Defaulting Party, as such terms are defined in the Repurchase Agreement, or unless at such time no amounts remain payable or potentially payable to the Eligible Repo Counterparty pursuant to the Repurchase Agreement) acting either together or independently; or
- (b) notwithstanding (a) above, for the purposes of Condition 13 (*Meetings of Noteholders*) and the giving of consent with respect to any resolutions relating to a Reserved Matter, each of the Portfolio Swap Counterparty and the Eligible Repo Counterparty (if any) acting either together or independently,

save that, on and after the Enforcement Date no party will be designated as an Instructing Party.

"**Interest Amount**" has the meaning given to it in Condition 4.3 (*Calculation of Interest Amount*).

"**Interest Collections**" means, for any Payment Date, the sum of the funds standing to the credit of, or credited to, the Interest Collections Account on such date.

"**Interest Collections Account**" means the account, denominated in Euro, specified as such in or pursuant to the Account Bank Agreement or such other account denominated in Euro, as the Security Trustee, the Issuer and the Portfolio Swap Counterparty may agree to substitute in place thereof.

"**Interest Determination Date**" has the meaning given to it in Condition 4.2 (*Rate of Interest*).

"**Interest Margin**" has the meaning given to it in Condition 4.3 (*Calculation of Interest Amount*).

"Interest Payment Date" means 7 April, 7 July, 7 October and 7 January of each year from, and including, 7 April, 2007 (in each case subject to the Following Business Day Convention) to, and including, the Legal Maturity Date.

"Interest Period" has the meaning given to it in Condition 4.1 (*Accrual of Interest*).

"Invested Funds" means, for any GIC Arrangement, the sum of all amounts deposited with or transferred to or at the direction of the Eligible GIC Provider less all amounts withdrawn from such GIC Arrangement (other than payments of GIC Interest).

"Investment Agreement" means the investment agreement dated the Closing Date between the Issuer, the GIC Provider, the Security Trustee, the Administrator and the Portfolio Swap Counterparty together with any agreement for the time being in force amending, supplementing or novating such agreement.

"Irish Paying Agent" means BNY Fund Services (Ireland) Limited in its capacity as Irish paying agent pursuant to the Agency Agreement and any successor in title thereto.

"Irish Transfer Agent" means BNY Fund Services (Ireland) Limited in its capacity as transfer agent in Ireland pursuant to the Agency Agreement and any successor in title thereto.

"Issuer" has the meaning given to it in the preamble to the Conditions.

"Issuer's Transaction Fee" means the Euro Equivalent of GBP 750 per annum payable in arrear on the date that the Adjusted Principal Balance of the Notes is reduced to zero and on the Interest Payment Date scheduled to fall in April of each year prior thereto.

"KBC Bank" means KBC Bank NV, a company incorporated under the laws of Belgium (registered in the Register of Legal Persons under number 0462.920.226) whose registered office is at Havenlaan 2, 1080, Brussels, Belgium and any successor in title thereto.

"Legal Maturity Date" has the meaning given to it in Condition 5.5 (*Legal Maturity*).

"Liability" means any liability, loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

"Local Business Day" means in relation to a payment to be made by a Paying Agent and/or the surrender of a Note Certificate to a Paying Agent, a day which (a) is a Business Day, (b) is a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the Specified Office of that Paying Agent is situated and (c) if the payment is made in relation to Notes represented by a Global Note Certificate, is a day on which the relevant Clearing System is open for business.

"Market Value" has the meaning given to it in the Repurchase Agreement (if any).

"Maximum Noteholder Contribution Liability" means, as of any Payment Date, the maximum aggregate amount of Noteholders Contributions, as determined by the Calculation Agent as of the third Business Days preceding such Payment Date, applicable in respect of each actual or potential Cash Settlement Amount which the Issuer is, pursuant to the Portfolio Credit Swap, liable or potentially liable to pay on or after such Payment Date. A written determination by the Calculation Agent of Maximum Noteholder Contribution Liability will, in the absence of manifest error, be binding on the Issuer and the Noteholders.

"Member State of the European Union" means a country, state or jurisdiction which is a member of the European Union.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Moody's Trading Model Test" has the meaning given to it in the Portfolio Credit Swap.

"Net Exposure" has the meaning given to it in the Repurchase Agreement (if any).

"Note Certificate" means a Global Note Certificate or a Definitive Note Certificate as the case may be.

"Note Default Notice" has the meaning given to it in Condition 9.2 (*Note Default Notice*).

"Note Default Notice Delivery Date" has the meaning given to it in Condition 9.3 (*Acceleration of the Notes*).

"Note Documents" has the meaning given to it in the preamble to the Conditions.

"Note Redemption Notice Delivery Notice" has the meaning given to it in Condition 5.4 (*Collateral Acceleration Note Redemption Notice*).

"Note Trust Deed" means the note trust deed dated the Closing Date and made between the Issuer, the Note Trustee and the Security Trustee together with any agreement for the time being in force amending or supplementing such agreement and any replacement or supplemented note trust deed executed from time to time pursuant to a novation.

"Note Trustee" means BNY Corporate Trustee Services Limited in its capacity as note trustee pursuant to the Note Trust Deed and any successor in title thereto.

"Noteholder Contribution" means, in respect of a Cash Settlement Amount, the amount, if any, by which such Cash Settlement Amount exceeds the funds available, on the relevant Cash Settlement Date, in the Cash Reserve Account for application toward payment of such Cash Settlement Amount having given effect to any funds to be credited to the Cash Reserve Account on such date.

"Noteholders" the Class A1 Noteholders, the Class A2 Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders, the Class F Noteholders, the Class G Noteholders and the Class H Noteholders or any of them, as the case may be.

"Notes" has the meaning given to it in the preamble to the Conditions.

"Operating Creditors" means any of (a) any Agent, (b) the Administrator, (c) any Eligible Custodian, (d) any taxing authority, (e) any director of the Issuer, (f) any listing agent, (g) the Issuer's auditors, (h) each Rating Agency, (i) any Independent Valuation Agent, Independent Verification Agent or PF Independent Expert appointed pursuant to the Portfolio Credit Swap, (j) the Corporate Services Provider, (k) any process agent of the Issuer, (l) the GIC Provider, (m) any Applicable Collateral Counterparty (other than any Eligible Repo Counterparty), (n) any Swap Agent and (o) any other creditor (other than the Portfolio Swap Counterparty) from time to time of the Issuer in respect of whom its status as an Operating Creditor has been agreed by the Issuer and the Portfolio Swap Counterparty.

"Optional Termination Date" means any Payment Date so designated by (or deemed to be designated by) the Portfolio Swap Counterparty pursuant to the Swap Termination Option.

"Order of Priority" means, in respect of any payment to be made by the Issuer before the Enforcement Date, the Pre-enforcement Order of Priority or, in respect of any payment to be made by the Issuer after the Enforcement Date, the Enforcement Order of Priority.

"Order of Seniority" means the order in which:

- (a) any amounts owing to the Noteholders are to be paid being, first, to the Class A1 Noteholders, second, to the Class A2 Noteholders, third, to the Class B Noteholders, fourth, to the Class C Noteholders, fifth, to the Class D Noteholders, sixth, to the Class E Noteholders, seventh, to the Class F Noteholders, eighth to the Class G Noteholders and ninth, to the Class H Noteholders; or
- (b) any amounts by which the Adjusted Principal Balance of the Notes is to be reinstated are attributed to each Class of Notes being, first, to the Class A1 Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), second, to the Class A2 Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), third, to the Class B Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), fourth, to the Class C Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), fifth, to the Class D Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), sixth, to the Class E Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), seventh, to the Class F Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof), eighth, to the Class G Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof) and ninth to the Class H Notes (unless and until the Adjusted Principal Balance thereof equals the Initial Principal Balance thereof).

"Other Charged Assets" refers to all Charged Assets other than, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Repo Collateral and the rights of the Issuer under any Repurchase Agreement.

"Outstanding Repurchase Price" has the meaning given to it in the Repurchase Agreement (if any).

"Payee" means, with respect to any Note and any Payment Date, the person listed at the close of business on the Record Date for such Payment Date in the Register as the Holder of that Note.

"Paying Agents" means the Irish Paying Agent, the Principal Paying Agent and any successor in title, and/or any replacement or additional paying agents appointed from time to time pursuant to the Agency Agreement.

"Payment Date" means any Interest Payment Date or Redemption Date.

"Permitted Account" means, in the case of a payment in relation to a Rule 144A Note, an account, denominated in Euro, located outside the United States and its possessions as specified by the Payee.

"PF Independent Expert" has the meaning given to it in the Portfolio Credit Swap.

"Portfolio Credit Swap" means the credit default swap transaction to be entered into on the Closing Date between the Issuer and the Portfolio Swap Counterparty and documented under a 1992 ISDA Master Agreement (Multicurrency — Cross Border) together with a schedule and the confirmation of even date therewith relating thereto together with any agreement for the time being in force amending or supplementing such agreement or any replacement portfolio credit swap executed from time to time pursuant to a novation.

"Portfolio Swap Counterparty" means KBC Investments Cayman Islands V, Ltd. as portfolio swap counterparty pursuant to the Portfolio Credit Swap and any successor in title thereto.

"Potential Event of Default" means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9.1 (*Events of Default*) become an Event of Default.

"Pre-enforcement Order of Priority" means the order of priority for application of Interest Collections, Principal Collections and Cash Reserves as set out in Conditions 6.1 (*Application of Interest Collections*), 6.2 (*Application of Principal Collections*) and, if any, Repo Collections) and 6.3 (*Application of Cash Reserves*) respectively.

"Principal Collections" means, for any Payment Date, the sum of the funds standing to the credit of, or credited to, the Principal Collections Account on such date.

"Principal Collections Account" means the account, denominated in Euro, specified as such in or pursuant to the Account Bank Agreement or such other account denominated in Euro as the Security Trustee, the Issuer and the Portfolio Swap Counterparty may agree to substitute in place thereof.

"Principal Paying Agent" means The Bank of New York, acting through its principal office in the United Kingdom, as principal paying agent pursuant to the Agency Agreement and any successor in title thereto.

"Principal Shortfall Amount" has the meaning given to it in Condition 5.12 (*Reinstatement of Adjusted Principal Balance*).

"Qualified Institutional Buyer" means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

"Qualified Purchaser" means a "qualified purchaser" within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder.

"Rate of Interest" has the meaning given to it in Condition 4.2 (*Rate of Interest*).

"Rating Agency" means any rating agency then rating any Class of Notes.

"receiver" has the meaning given to it in Condition 9.1(d) (*Insolvency Proceedings*).

"Receiver" means a receiver or manager appointed pursuant to the Security Trust Deed or pursuant to any applicable law, and includes more than one such receiver and any substituted receiver as defined in Section 251 of the Insolvency Act.

"Record Address" means in connection with any payment of principal or interest on the Notes, the address shown as the address of the Payee in the Register at the close of business on the relevant Record Date (whether or not the Record Date is a Business Day).

"Record Date" means in connection with any payment of principal or interest, the 15th calendar day before the due date for the relevant payment (whether or not such day is a Business Day).

"Redemption Amount" means, as of any date of determination and in respect of any Note or any Class of Notes, the Adjusted Principal Balance of that Note or Class of Notes determined as at that date prior to the payment of any principal amounts on that date but after giving effect to any Noteholder Contributions determined in respect of such Note or Class of Notes of that date.

"Redemption Date" means any date on which any of the Notes are redeemed or repaid in whole or in part.

"Register" means the register maintained by the Registrar at its Specified Office.

"Registrar" means The Bank of New York, acting through its principal office in the United Kingdom, in its capacity as registrar pursuant to the Agency Agreement and any successor in title thereto.

"Regulation S" means Regulation S under the Securities Act.

"Reg S Note Certificate" means (a) each Definitive Note Certificate issued or to be issued in respect of a Reg S Note representing a Noteholder's entire holding of Reg S Notes of a Class and (b) when prefixed by the name of a Class of Notes, the notes in definitive registered form issued or to be issued in respect of the Notes of such Class which are Reg S Notes pursuant to, and in the circumstances specified in, the Note Trust Deed representing a Noteholder's entire initial holding of Reg S Notes of that Class and includes any replacements for such Definitive Note Certificates issued pursuant to Condition 11 (*Replacement of Note Certificates*).

"Reinstatement Amount" has the meaning given to it in Condition 5.12 (*Reinstatement of Adjusted Principal Balance*).

"Relevant Date" has the meaning given to it in Condition 8 (*Taxation*).

"Relevant Fraction" means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one quarter;
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, one half; and
- (d) for voting on any Extraordinary Resolution relating to an Approved Trading Matter, one half;

Provided that, in the case of a Meeting which has resumed after adjournment for want of a quorum, "Relevant Fraction" means (1) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the Initial Principal Balance of the outstanding Notes represented or held by the Voters actually present at the Meeting, (2) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter and (3) for voting on any Extraordinary Resolution relating to an Approved Trading Matter, one quarter.

"Repay", **"redeem"** and **"pay"** will each include both the others and "repaid", "repayable" and "repayment", "redeemed", "redeemable" and "redemption" and "paid", "payable" and "payment" will be construed accordingly.

"Replacement" has the meaning given to it in the Portfolio Credit Swap.

"Replacement Sequence" has the meaning given to it in the Portfolio Credit Swap.

"Repo Acceleration Event" means the acceleration of the obligations of an Eligible Repo Counterparty under the Repurchase Agreement constituting (in whole or in part) a Repo Arrangement as a result of a Repo Event of Default.

"Repo Arrangement" means an arrangement whereby Collateral Principal Proceeds are applied by the Issuer in purchasing Eligible Investments from an Eligible Repo Counterparty pursuant to a Repurchase Agreement and which shall include, for the avoidance of doubt, any Custody Agreement and Repo Guarantee.

"Repo Collateral" means, at any time at which the Applicable Collateral Arrangement is or includes a Repo Arrangement, all cash amounts and/or Eligible Investments (denominated in Dollars, Euro and/or Sterling) purchased by the Issuer from the Eligible Repo Counterparty or delivered by the Eligible Repo Counterparty to the Issuer by way of margin or substitution (or, if applicable, the cash proceeds thereof) and which, at such time, have not been repurchased by or redelivered to the Eligible Repo Counterparty.

"Repo Collections" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, amounts standing to the credit of the Repo Collections Accounts.

"Repo Collections Accounts" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Euro Repo Cash Account, the Dollar Repo Substitutions Account and the Sterling Repo Substitutions Account (and each, a **"Repo Collections Account"**).

"Repo Counterparty Default" has the meaning given to it in the Repurchase Agreement.

"Repo Event of Default" means an Event of Default as defined in the Repurchase Agreement.

"Repo Guarantee" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the guarantee to be dated the Collateral Switch Date pursuant to which the Repo Guarantor will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the Eligible Repo Counterparty in accordance with the terms of the Repurchase Agreement or any replacement guarantee with respect to the Eligible Repo Counterparty's obligations under the Repurchase Agreement.

"Repo Guarantor" means KBC Bank as guarantor pursuant to any Repo Guarantee, any successor in title thereto or any other entity agreed between the Issuer and the Portfolio Swap Counterparty.

"Repo Proceeds" has the meaning given to it in Condition 6.4 (*Proceeds on Enforcement*).

"Repo Tax Event" has the meaning given to it in the Repurchase Agreement.

"Repurchase Agreement" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the sale and repurchase agreement in respect of certain Eligible Investments entered into on a Collateral Switch Date pursuant to the Collateral Switch Agreement and between the Issuer and the Eligible Repo Counterparty and documented substantially in the form of the Approved Form Repurchase Agreement including any Annexes thereto and a confirmation, together with any agreement for the time being in force amending or supplementing such agreement or any replacement repurchase agreement executed from time to time pursuant to a novation.

"Reserve Account Interest Reimbursement" means in respect of the Portfolio Credit Swap, each payment of interest earned on the Cash Reserve Account which is payable to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap.

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable (other than in accordance with the Conditions) on any date in respect of the Notes (other than in accordance with the Conditions) or to alter either the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment (other than in accordance with the Conditions);
- (b) to change the currency in which amounts due in respect of the Notes are payable;
- (c) to change the Order of Priority;
- (d) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;
- (e) to reduce the scope of the Security (except as otherwise permitted or contemplated in the Security Documents);
- (f) to effect the exchange, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (g) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the other Transaction Documents;
- (h) to change the percentage of the Initial Principal Balance of the Notes of the Controlling Class required for holders of Notes of the Controlling Class to adopt a Special Written Resolution; or
- (i) to amend the definition of "Reserved Matter".

"Reverse Order of Seniority" means the order in which any amounts by which the Adjusted Principal Balance of the Notes is to be reduced without payment to Noteholders are attributed to each Class of Notes being, first, to the Class H Notes, until the Adjusted Principal Balance thereof is reduced to zero, second, to the Class G Notes, until the Adjusted Principal Balance thereof is reduced to zero, third, Class F Notes until the Adjusted Principal Balance thereof is reduced to zero, fourth, to the Class E Notes until the Adjusted Principal Balance thereof is reduced to zero, fifth, to the Class D Notes until the Adjusted Principal Balance thereof is reduced to zero, sixth, to the Class C Notes until the Adjusted Principal Balance thereof is reduced to zero, seventh, to the Class B Notes until the Adjusted Principal Balance thereof is reduced to zero, eighth, to the Class A2 Notes until the Adjusted Principal Balance thereof is reduced to zero and ninth, to the Class A1 Notes until the Adjusted Principal Balance thereof is reduced to zero.

"Rule 144A" has the meaning given to it in Condition 1.1 (*Form and Denomination of the Notes*).

"Rule 144A Note Certificate" means (a) each Definitive Note Certificate issued or to be issued in respect of a Rule 144A Note representing a Noteholder's entire holding of 144A Notes of a Class and (b) when prefixed by the name of a Class of Notes, the notes in definitive registered form issued or to be issued in respect of the Notes of such Class which are Rule 144A Notes pursuant to, and in the circumstances specified in, the Note Trust Deed representing Noteholder's entire holding of Rule 144A Notes of that Class and includes any replacements for such Definitive Note Certificates issued pursuant to Condition 11 (*Replacement of Note Certificates*).

"Rule 144A Notes" has the meaning given to it in Condition 1.1 (*Form and Denomination of the Notes*).

"Scheduled Amortisation Commencement Date" means the Payment Date scheduled to fall in April, 2017.

"Scheduled Termination Date" means the Payment Date scheduled to fall in January, 2038.

"Secured Obligations" means all present and future obligations and liabilities (whether actual or contingent and whether jointly or severally or in any other capacity whatsoever) of the Issuer to any of the Secured Parties under the Transaction Documents and **"Secured Obligation"** will be construed accordingly.

"Secured Parties" means the Noteholders, the Portfolio Swap Counterparty, the GIC Provider, any other Applicable Collateral Counterparty, any Eligible Custodian, the Account Bank, the Administrator, the Agents, the Swap Agents, the Independent Verification Agent, the Note Trustee, the Security Trustee and any Receiver (and each a **"Secured Party"**).

"Securities Act" means the United States Securities Act of 1933, as amended.

"Security" means the security created by or pursuant to the Security Documents.

"Security Documents" means the Security Trust Deed and any other security document purporting to create security entered into from time to time by the Issuer in favour of the Security Trustee (including for the avoidance of doubt, any security

documents in respect of any agreement constituting an Applicable Collateral Arrangement and "**Security Document**" shall be construed accordingly.

"**Security Trust Deed**" has the meaning given to it in the preamble to the Conditions.

"**Security Trustee**" means BNY Corporate Trustee Services Limited in its capacity as security trustee pursuant to the Security Trust Deed and any successor in title thereto.

"**Special Written Resolution**" means a resolution in writing signed by or on behalf of holders of Notes of the Controlling Class (who for the time being are entitled to receive notice of a meeting of Noteholders of that Class under the Note Trust Deed), which Notes have an aggregate Initial Principal Balance equal or greater than 50 per. cent of the Initial Principal Balance of the Notes of the Controlling Class then outstanding. Such a resolution in writing may be contained in a document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Notes of the Controlling Class and shall take effect on the date of the final such signature.

"**Specific Bank Accounts**" means the Accounts and any other bank account maintained by the Issuer (or in which the Issuer may at any time acquire any title) with any financial institution (other than such an account maintained in Jersey) as the Security Trustee may from time to time designate in writing to the Issuer as a Specific Bank Account, including in each case any redesignation or renewal thereof and all balances now or hereafter standing to the credit of any such account including all interest from time to time thereon, the debt represented thereby and all rights in relation thereto.

"**Specific Contracts**" means the Account Bank Agreement, the Administration and Cash Management Agreement, the Collateral Switch Agreement, the Agency Agreement, the Swap Agency Agreement, the Note Trust Deed, the Security Trust Deed, the Portfolio Credit Swap, the Investment Agreement and any other contract that may, at any time, be entered into by the Issuer pursuant to a GIC Arrangement, the GIC Guarantee and the Subscription Agreement including, in each case, all rights to receive payment of any amounts payable or which may become payable or be distributed to the Issuer thereunder, all moneys, income, proceeds and other amounts payable and/or paid thereunder or with respect thereto, the benefit of all covenants relating thereto, all rights of action in respect thereof and all rights for enforcing the same and all payments received by the Issuer thereunder, including all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof but excluding, for the avoidance of doubt, any obligations or liabilities of the Issuer thereunder.

"**Specified Office**" means, in relation to any Paying Agent or Transfer Agent, either the office identified with its name in the Agency Agreement or any other office notified to any relevant parties pursuant to the Agency Agreement.

"**Sterling Repo Substitutions Account**" means, if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the account, denominated in Sterling, specified as such in or pursuant to the Account Bank Agreement or such other account denominated in Sterling as the Security Trustee, the Issuer and the Portfolio Swap Counterparty may agree to substitute in place thereof.

"**Subordinated Portfolio Performance Fee**" has the meaning given to it in the Portfolio Credit Swap.

"**Subscription Agreement**" means the subscription agreement dated on or about the Closing Date between the Issuer and the Bookrunner together with any agreement for the time being in force amending or supplementing such agreement.

"**successor in title**" means, in relation to any party to a Transaction Document, such other or further person as may from time to time be appointed to act jointly with or in substitution or replacement (by way of novation in any other manner) of such party pursuant to, and subject to the provisions of, such Transaction Document and further, in relation to any such party, means an assignee or successor in title of such party or any person who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of such party hereunder or to which under such laws the same has been transferred to the extent such assignment or succession is permitted pursuant to the terms of the applicable agreement.

"**Swap Agency Agreement**" means the swap agency agreement dated the Closing Date between the Issuer, the Swap Agents and the Portfolio Swap Counterparty, together with any agreement for the time being in force amending or supplementing such agreement or any replacement swap agency agreement executed from time to time pursuant to a novation.

"**Swap Agents**" means the Calculation Agent and the Independent Confirmation Agent and any other person appointed as a "Swap Agent" from time to time under the Swap Agency Agreement (as amended from time to time) by agreement between the Issuer and the Portfolio Swap Counterparty or, in each case, any successor in title thereto, and any reference to a "**Swap Agent**" is to any one of them.

"**Swap Illegality Event**" means the designation of an Early Termination Date pursuant to section 5(b)(i) (*Illegality*) of the Portfolio Credit Swap.

"**Swap Tax Event**" has the meaning given to it in the Portfolio Credit Swap.

"**Swap Termination Fee**" means the fee payable to the Portfolio Swap Counterparty upon reduction of the Adjusted Principal Balance of the Notes to zero as more fully described in the Portfolio Credit Swap.

"**Swap Termination Option**" means the option of the Portfolio Swap Counterparty, to designate, by not less than 5 nor more than 60 Business Days written notice to the Issuer the Payment Date scheduled to fall in April, 2012 or any Payment Date falling thereafter as the Optional Termination Date under the Portfolio Credit Swap.

"TARGET Settlement Day" means any day on which the TARGET System is open for settling transactions in Euro.

"TARGET System" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) system.

"Tax" and **"Taxes"** are defined in Condition 8 (*Taxation*).

"Tax Redemption Date" has the meaning given to it in Condition 5.2 (*Designation of a Tax Redemption Date*).

"Tax Termination Event" has the meaning given to it in Condition 5.2 (*Designation of a Tax Redemption Date*).

"Telerate" means, when used in connection with a designated page and a rate option, the display page so designated on Bridge's Telerate Service (or such other page as may replace that page on that service, or such other service as displays information on an equivalent service (or, if more than one, that one which is approved by the Note Trustee to replace the Telerate) for the purposes of displaying rates or prices comparable to that rate option.

"Termination Date" means the date which is the earliest to occur of (a) the Tax Redemption Date, (b) the Enforcement Date, (c) the Optional Termination Date, (d) the Early Termination Date (as such term has the meaning given to it in the Portfolio Credit Swap) and (e) the Scheduled Termination Date.

"Trading Guidelines" has the meaning given to it in the Portfolio Credit Swap.

"Transaction Documents" means the Account Bank Agreement, the Administration and Cash Management Agreement, the Agency Agreement, the Collateral Switch Agreement, the Corporate Services Agreement, the Investment Agreement, the GIC Guarantee and each other document constituting a GIC Arrangement (if any), each document constituting any other Applicable Collateral Arrangement, the Note Trust Deed, the Notes, the Portfolio Credit Swap, the Security Trust Deed, any other Security Document, the Subscription Agreement and the Swap Agency Agreement.

"Transaction Participant" means each of the Account Bank, any Agent, any Swap Agent, the Administrator, any Eligible Custodian, the GIC Provider, any other Applicable Collateral Counterparty, any Applicable Collateral Guarantor, the Bookrunner, the Portfolio Swap Counterparty, the Corporate Services Provider, the Note Trustee or the Security Trustee (together the **"Transaction Participants"**).

"Transfer Agents" means the Registrar, the Irish Transfer Agent and/or the U.S. Transfer Agent (as the context may require) together with any replacement or additional transfer agents appointed from time to time in connection with the Notes.

"Transfer Regulations" has the meaning given to it in Condition 1.3 (*Transfers*).

"TRS Acceleration Event" means the acceleration of the obligations of any Eligible TRS Counterparty under the total return swap agreement constituting (in whole or in part) the TRS Arrangement as a result of a TRS Event of Default.

A **"TRS Arrangement"** means an arrangement whereby funds denominated in Euro are used to acquire debt securities (subject to such debt securities satisfying certain criteria stipulated by the Rating Agencies) pursuant to a debt securities purchase agreement and/or a total return swap agreement and ancillary documentation (to be entered into by, at least, the Issuer, the Administrator and each relevant Eligible TRS Counterparty), and which arrangement provides: (a) pursuant to the terms of the total return swap agreement for (i) an Eligible TRS Counterparty to make periodic payments of premium to the Issuer and (ii) the Issuer to make periodic payments to such Eligible TRS Counterparty determined by reference to the income received by the Issuer on such debt securities during such period, (b) pursuant to the terms of the total return swap agreement and/or the debt securities purchase agreement, for the debt securities to be repurchased or otherwise realised in such a manner as to ensure that an amount equal to the original purchase price of such debt securities is received by the Issuer upon demand by the Issuer, to the extent that such funds are required by the Issuer to meet its payment obligations under the Transaction Documents or in connection with a transfer of Collateral Principal Proceeds after the Closing Date to an Alternative Collateral Arrangement, and (c) that payments of TRS Premium and TRS Principal Realisations are guaranteed (or otherwise supported or insured) by or are a primary obligation of an Eligible TRS Counterparty.

"TRS Event of Default" has the meaning given to Event of Default in the relevant TRS Arrangement.

"TRS Premium" means the periodic premium payments payable to the Issuer pursuant to the terms of a TRS Arrangement.

"TRS Principal Realisations" means the amounts realised by or payable to the Issuer pursuant to the terms of the TRS Arrangement for certain of the debt securities which are the subject matter of such TRS Arrangement upon demand by the Issuer if, pursuant to the Collateral Realisation Procedures, the Issuer requires funds to make payment of any principal amount due on the Notes and/or any Cash Settlement Amount due under the Portfolio Credit Swap.

"TRS Tax Event" has the meaning (if any) given to TRS Tax Event in the relevant TRS Arrangement.

"U.S. dollars", **"dollars"**, **"Dollars"** and **"USD"** each mean the lawful currency from time to time of the United States of America.

"U.S. person" has the meaning given to such term in Regulation S.

"U.S. Transfer Agent" means The Bank of New York, in its capacity as transfer agent in the United States pursuant to the Agency Agreement and any successor in title thereto.

THE PORTFOLIO CREDIT SWAP

The following description of the Portfolio Credit Swap and the Swap Agency Agreement consists of summaries of certain of the provisions of the Portfolio Credit Swap and the Swap Agency Agreement and is qualified in its entirety by reference to the detailed provisions of the Portfolio Credit Swap and the Swap Agency Agreement, as appropriate. The description does not, however, restate the terms of either the Portfolio Credit Swap or the Swap Agency Agreement in their entirety and prospective investors must refer to the Portfolio Credit Swap or the Swap Agency Agreement, as appropriate, for detailed information.

Documentation

On the Closing Date, the Issuer will enter into a credit default swap transaction (the "**Portfolio Credit Swap**") with KBC Investments Cayman Islands V, Ltd. (the "**Portfolio Swap Counterparty**"). The Portfolio Credit Swap will be documented under, and constituted by, a 1992 ISDA Master Agreement (Multicurrency - Cross Border) together with a schedule relating thereto and the confirmation entered into thereunder, each dated as of the Closing Date.

The Portfolio Credit Swap will incorporate the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions (together the "**2003 Definitions**") each as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). In the event of any inconsistency between the terms of the 2003 Definitions and the confirmation relating to the Portfolio Credit Swap, the terms of the confirmation will prevail.

The confirmation forming part of the Portfolio Credit Swap must be read in conjunction with the terms of the 1992 ISDA Master Agreement (Multicurrency – Cross Border) and the 2003 Definitions, as amended by the schedule to such master agreement.

The Reference Portfolio, Reference Registry and Reference Entity Notional Amounts

From and including the Closing Date, the Portfolio Swap Counterparty will maintain a register of (i) ABS Reference Entities, (ii) corporate entities (including any Successors thereto) (each a "**Corporate Reference Entity**") and (iii) PF Reference Entities, each referenced for the purposes of the Portfolio Credit Swap (as amended from time to time, the "**Reference Registry**"). An "**ABS Reference Entity**" means (a) an entity (including any Successor thereto) which has issued or, as principal or surety or otherwise, is obligated with respect to an asset backed security or (b) for the purposes of referencing credit default swap transactions, a nominal entity (each a "**Proxy ABS Reference Entity**") deemed by the Portfolio Swap Counterparty to exist in respect of such credit default swap transaction, and in either case, which is identified as an ABS Reference Entity in the Reference Registry. A "**PF Reference Entity**" means an entity that is either a Project Contractor or a Project Funding Vehicle and identified as a PF Reference Entity in the Reference Registry.

As of the Closing Date, the Reference Registry will be as set out herein under "*Reference Registry as at the Closing Date*" and will be attached to the Portfolio Credit Swap on the Closing Date. The Reference Registry was compiled by the Portfolio Swap Counterparty in good faith and in reliance on information selected by it acting in a commercially reasonable manner as of 19 January, 2007 (the "**Registry Compilation Date**"). No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Portfolio Swap Counterparty as to the accuracy or completeness of the information selected by it as of the Registry Compilation Date. In selecting the Reference Entities and Reference Obligations to be included in the Reference Registry as of the Closing Date, the Portfolio Swap Counterparty did not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but made such selections as it deemed to be in its interests, which selections may be adverse to the interests of the Issuer and/or the Noteholders.

The Reference Registry records (a) the Initial ABS Direct Portfolio Size, being EUR 450,000,000, (b) the Initial Corporate Direct Portfolio Size, being EUR 1,500,000,000, (c) the Initial Direct Portfolios Size, being EUR 1,950,000,000, and (d) for each Inner Tranche Portfolio, the Tranche Thickness Amount thereof, being EUR 105,000,000. The Tranche Thickness Amount of each Inner Tranche Portfolio as selected by the Portfolio Swap Counterparty will constitute 6 per cent. of the notional size of that Inner Tranche Portfolio. Accordingly, the initial notional size of each Inner Tranche Portfolio may be as large as EUR 1,750,000,000 and the Aggregate Initial Inner Tranche Portfolio Size may be as large as EUR 17,500,000,000. None of the Initial Reference Portfolio Size, the Initial Direct Portfolios Size, the Maximum ABS Direct Portfolio Size, the Maximum Corporate Direct Portfolio Size, the Maximum PF Direct Portfolio Size or the Tranche Thickness Amount designated in respect of an Inner Tranche Portfolio may be increased or decreased.

After giving effect to all Replacements made on any day, on such day the sum of the Reference Entity Notional Amounts of (a) all ABS Reference Entities included in the ABS Direct Portfolio may not exceed the Maximum ABS Direct Portfolio Size, (b) all Corporate Reference Entities included in the Corporate Direct Portfolio may not exceed the Maximum Corporate Direct Portfolio Size, (c) all Corporate Reference Entities included in an Inner Tranche Portfolio may not exceed the Maximum Inner Tranche Portfolio Size for such Inner Tranche Portfolio, (d) all PF Reference Entities included in the PF Direct Portfolio may not exceed the Maximum PF Direct Portfolio Size and (e) all Reference Entities included in the Direct Portfolios may not exceed the Maximum Direct Portfolios Size.

The "**Reference Portfolio**" means, collectively, all of the ABS Reference Entities, the Corporate Reference Entities and the PF Reference Entities (together, the "**Reference Entities**" and each, a "**Reference Entity**") referenced for the purposes of the Portfolio Credit Swap at any time as evidenced by the Reference Registry. The Reference Entities which constitute the

Reference Portfolio are grouped into the ABS Direct Portfolio, the Corporate Direct Portfolio or the PF Direct Portfolio (each, a "**Direct Portfolio**" and together, the "**Direct Portfolios**") and/or ten Inner Tranche Portfolios. Each of the Inner Tranche Portfolios and each of the Direct Portfolios constitutes a "**Sub-Portfolio**" of the Reference Portfolio. An ABS Reference Entity may be included only in the ABS Direct Portfolio. A Corporate Reference Entity may be included in the Corporate Direct and/or in one or more Inner Tranche Portfolio. A PF Reference Entity may be included only in the PF Direct Portfolio.

The Reference Registry will specify or indicate in respect of each Reference Entity included in the Reference Portfolio:

- (a) its name or, in the case of a Proxy ABS Reference Entity, the unique number or reference set out in the confirmation relating to the Eligible Credit Swap Transaction designated as the Proxy ABS Reference Obligation of such Proxy ABS Reference Entity;
- (b) various entity specific details (including, without limitation, its Fitch Rating (if any), its Moody's Rating (if any), its S&P Rating (if any), its industry group, details of its Affiliates and parent company) as may be required for the purposes of the Moody's Trading Model as well as the country or jurisdiction in which, in the sole determination of the Portfolio Swap Counterparty, each Reference Entity is organised or has its principal place of business;
- (c) a notional amount denominated in Euro for such Reference Entity for the purposes of each Sub-Portfolio of which it forms a part (in each case, the "**Reference Entity Notional Amount**" for the Reference Entity for the purposes of each Sub-Portfolio of which it forms a part) (which in the case of an ABS Reference Entity (other than a Proxy ABS Reference Entity), will be the sum of the ABS Reference Obligation Notional Amounts denominated in Euro of the ABS Reference Obligations thereof and which, in the case of a PF Reference Entity, will be the sum of the PF Reference Obligation Notional Amounts denominated in Euro of the PF Reference Obligations thereof);
- (d) whether such entity is a Corporate Reference Entity, an ABS Reference Entity or a PF Reference Entity (and in the case of (i) an ABS Reference Entity, whether such ABS Reference Entity is a Proxy ABS Reference Entity or (ii) a Corporate Reference Entity and in respect of a Sub-Portfolio, whether such Corporate Reference Entity for the purposes of such Sub-Portfolio is a Fixed Recovery Exposure);
- (e) whether No Restructuring, Restructuring, Modified Restructuring or Modified Modified Restructuring applies to such Corporate Reference Entity;
- (f) in respect of each ABS Reference Entity (other than a Proxy ABS Reference Entity), one or more ABS Reference Obligations thereof;
- (g) in respect of each PF Reference Entity, one or more PF Reference Obligations thereof;
- (h) in respect of each ABS Reference Obligation, the ABS Reference Obligation Notional Amount in respect of such ABS Reference Obligation;
- (i) in respect of each PF Reference Obligation, the PF Reference Obligation Notional Amount in respect of such PF Reference Obligation;
- (j) in respect of each Proxy ABS Reference Entity, the Proxy ABS Reference Obligation Notional Amount thereof;
- (k) whether the Monoline Provisions are to apply to that Reference Entity; and
- (l) in respect of any Fixed Recovery Exposure, and a Sub-Portfolio, the Fixed Recovery Percentage in respect thereof.

If a Corporate Reference Entity is included in more than one Sub-Portfolio a different Reference Entity Notional Amount may be designated in respect of that Corporate Reference Entity for the purposes of each such Sub-Portfolio. If a Corporate Reference Entity that is also a Fixed Recovery Exposure is included in more than one Sub-Portfolio, a different Fixed Recovery Percentage may be designated in respect of such Fixed Recovery Exposure for the purposes of each such Sub-Portfolio.

The Portfolio Swap Counterparty may, but is not obliged to, designate in respect of a Corporate Reference Entity and a Sub-Portfolio which includes such Corporate Reference Entity in the Reference Registry, opposite the name of such Corporate Reference Entity in a column (or table) entitled with the name of that Sub-Portfolio, an obligation of such Corporate Reference Entity (a "**Benchmark Obligation**") (whether such obligation is incurred directly by that Corporate Reference Entity or as provider of a Qualifying Guarantee or, if the Monoline Provisions are applicable, as provider of a Qualifying Policy) which, as of the date of designation thereof, (a) satisfies the Basic Obligation Criteria, (b) is not Subordinated to any unsubordinated unsecured Borrowed Money obligation of the Corporate Reference Entity (unless the Reference Registry indicates that "Subordinated Provisions" are applicable to such Corporate Reference Entity and that Sub-Portfolio) and (c) satisfies the Corporate Reference Obligation Criteria. If a Corporate Reference Entity is included in more than one Sub-Portfolio, a different Benchmark Obligation may be designated in respect of such Corporate Reference Entity for the purposes of each such Sub-Portfolio **provided that** the Portfolio Swap Counterparty is not obliged to designate Benchmark Obligations for any one or more of such Sub-Portfolios.

In designating such Benchmark Obligations (if any), the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders.

The "**Basic Obligation Criteria**" are satisfied with respect to an obligation if (a) it is payable in an amount equal to its outstanding principal balance or due and payable amount, as applicable, (b) it is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in Section 4.1(a)-(d) of the 2003 Definitions) or right of set off by or of a Corporate Reference Entity or any applicable Underlying Obligor or Insured Obligor; and (c) in the case of a Qualifying Guarantee (or Qualifying Policy) other than a Qualifying Affiliate Guarantee (or Qualifying Policy), is capable, at the relevant date, of immediate assertion or demand by or on behalf of the holder or holders against the Corporate Reference Entity for an amount at least equal to the Reference Obligation Notional Amount attributed thereto or, in the case of a Benchmark Obligation, equal to its outstanding principal balance or due and payable amount apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation (or Insured Instrument) will not be considered a procedural requirement.

Except in the case of the exercise of a Partial Settlement or an ABS Partial Settlement and other than in respect of a Partial Principal Loss Claim (in which case such removal will only apply to the settled portion thereof), any Reference Entity in relation to which a Credit Event has occurred and the Conditions to Settlement have been satisfied in respect thereof and a Sub-Portfolio will, unless previously removed from the relevant Sub-Portfolio (which removal will not constitute a Replacement) upon the Cash Settlement Date relating thereto, be removed from the relevant Sub-Portfolio and, thereafter, that entity will not be eligible for inclusion in the Reference Portfolio by way of Replacement unless such entity subsequently satisfies the Entity Criteria (each such removal, a "**Mandatory Removal**").

For the avoidance of doubt, where such Reference Entity in relation to which a Credit Event has occurred is comprised in any other Sub-Portfolio and the Conditions to Settlement have not been satisfied in respect of it and such Sub-Portfolio, such Reference Entity will not be removed from such other Sub-Portfolio.

The separate designation of the Direct Portfolios and each Inner Tranche Portfolio has an effect similar to the Issuer entering into a separate portfolio credit default swap in respect of each such Sub-Portfolio of Reference Entities.

Replacements

During the period from, and excluding, the Closing Date to, and including, the Payment Date scheduled to fall in April, 2017 (the "**Scheduled Amortisation Commencement Date**") or, if earlier, the Termination Date (such period, the "**Replacement Period**"), the Portfolio Swap Counterparty will have the right, by amending the Reference Registry, to adjust any Sub-Portfolio through (a) the addition, removal or replacement of Reference Entities, (b) the increase or decrease of any Reference Entity Notional Amount and/or Reference Obligation Notional Amount, (c) the addition, removal or replacement of any Benchmark Obligation designated in respect of a Corporate Reference Entity for the purposes of that Sub-Portfolio, (d) the addition, removal or replacement of any Reference Obligation designated in respect of an ABS Reference Entity, (e) the addition, removal or replacement of any PF Reference Obligation designated in respect of a PF Reference Entity and (f), in the case of an Inner Tranche Portfolio only and **provided that** no positive Credit Protection Valuations have been determined in respect thereof, the increase or decrease of the Tranche Threshold Amount applicable to such Inner Tranche Portfolio, subject to compliance with the Trading Guidelines (as set out herein under "*Trading Guidelines*") (each such adjustment a "**Replacement**") including, but not limited to, the satisfaction of the Moody's Trading Model Test). Replacements made on the same day constitute part of the same "**Replacement Sequence**".

The Portfolio Swap Counterparty may not increase or decrease either the number of Inner Tranche Portfolios or the Tranche Thickness Amount designated in respect of any Inner Tranche Portfolio.

In adjusting the Reference Registry by way of making Replacements and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

The Portfolio Swap Counterparty must not, after reasonable enquiry, have actual knowledge that a Credit Event has occurred and is then continuing with respect to a Reference Entity at the time such Reference Entity is (a) added to a Direct Portfolio or its Reference Entity Notional Amount is increased for the purposes of such Direct Portfolio or (b) added to an Inner Tranche Portfolio (and is not, as of such time, already included in any other Inner Tranche Portfolio) or the sum of its Reference Entity Notional Amounts for the purposes of all Inner Tranche Portfolios is increased.

If, after the inclusion of a Reference Entity in any Direct Portfolio (or its Reference Entity Notional Amount is increased for the purpose of any Direct Portfolio), a Credit Event of which the Portfolio Swap Counterparty had actual knowledge is discovered to have existed (and to have been continuing) at the time of its inclusion (or increase) pursuant to a Replacement, such Reference Entity will be removed from the relevant Direct Portfolio (or the relevant Reference Entity Notional Amount reduced by such improperly increased amount) without any Credit Protection Valuation being determined and/or any Cash Settlement Amount being calculated or payable in respect of such Reference Entity (or in respect of the Reference Entity Notional Amount to the extent of such improperly increased amount).

If a Corporate Reference Entity is already included in any Inner Tranche Portfolio but the Portfolio Swap Counterparty is aware that a Credit Event has occurred and is then continuing with respect to such Corporate Reference Entity, it may be added to or removed from any Inner Tranche Portfolio and its Reference Entity Notional Amount for the purposes of any Inner Tranche Portfolio may be increased or decreased pursuant to a Replacement **provided that** (a) the sum of its Reference Entity Notional Amounts for the purposes of all Inner Tranche Portfolios is not thereby increased and (b) after giving effect to such Replacement together with each other Replacement made with respect to such Corporate Reference Entity in the same Replacement Sequence (and excluding any other Replacements made on the same day), the Moody's Metric Measure of each Class of Notes is reduced thereby.

If, after the inclusion of a Corporate Reference Entity in any Inner Tranche Portfolio (or its Reference Entity Notional Amount is increased for the purpose of any Inner Tranche Portfolio), a Credit Event of which the Portfolio Swap Counterparty had actual knowledge is discovered to have existed (and to have been continuing) at the time of its inclusion (or increase) pursuant to a Replacement and at the time of its inclusion (or increase) pursuant to a Replacement such Corporate Reference Entity was not already included in any Inner Tranche Portfolio, such Corporate Reference Entity will be removed from the relevant Inner Tranche Portfolio (or the relevant Reference Entity Notional Amount reduced by such improperly increased amount) without any Credit Protection Valuation being determined and/or any Cash Settlement Amount being calculated or payable in respect of such Corporate Reference Entity (or in respect of the Reference Entity Notional Amount to the extent of such improperly increased amount).

For the purposes of the Moody's Trading Model and the determination of the relevant Moody's Metric Measure in such circumstances (but not with respect to the general application of the Moody's Trading Model), the relevant Corporate Reference Entity will not be deemed to constitute part of the Reference Portfolio as if the Conditions to Settlement had not been satisfied with respect thereto.

The Portfolio Swap Counterparty will, promptly following the completion of a Replacement Sequence provide a copy of the Reference Registry, as amended and indicating any Replacements, to the Issuer, the Administrator, the Independent Confirmation Agent, each Rating Agency and the Calculation Agent.

In selecting Reference Obligations and in performing its obligations and exercising its rights under the Portfolio Credit Swap, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. The Portfolio Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

The Portfolio Swap Counterparty may on-sell to third parties the benefits of the credit protection it is purchasing from the Issuer. As the Portfolio Swap Counterparty's cost for the credit protection is fixed, the Portfolio Swap Counterparty may (so long as it believes the benefits exceed the risk of suffering losses up to the Global Threshold Amount) attempt to enhance its profits from this transaction by replacing Reference Entities presently (or at any time in the future) included in the Reference Portfolio with Reference Entities for which it can charge its market counterparties a greater fee (referred to in the financial markets as a "credit spread") than the credit spread it is able to charge such parties in connection with those Reference Entities presently (or at any time in the future) included in the Reference Portfolio. While some Replacements may permit higher credit spreads to be charged without adversely affecting the overall credit quality of the Reference Portfolio, other Replacements may be to the detriment of Noteholders as they could decrease the overall credit quality of the Reference Portfolio. The only constraints on the Portfolio Swap Counterparty's ability to replace one or more Reference Entities (or increase the Reference Entity Notional Amount of those Reference Entities already included in the Reference Portfolio) for which it can charge a higher credit spread in place of Reference Entities already in the Reference Portfolio are those imposed by the Trading Guidelines.

The Portfolio Swap Counterparty may, whether by virtue of the types of relationships described herein or otherwise, at the Closing Date or at any time thereafter, be in possession of information in relation to a Reference Entity or any Underlying Obligor that is or may be material in the context of the transactions contemplated in the Portfolio Credit Swap and that may or may not be publicly available or known to the Issuer or the Noteholders. The Portfolio Credit Swap does not create any obligation on the part of the Portfolio Swap Counterparty and its Affiliates to disclose to the Issuer or the Noteholders any such relationship or information (whether or not confidential).

Satisfaction of the Moody's Trading Model Test

The only constraints on the Portfolio Swap Counterparty's ability to make Replacements are those imposed by the Trading Guidelines including, without limitation, the requirement that after giving effect to such Replacement (together with any other Replacements made in the same Replacement Sequence) the Moody's Trading Model Test is satisfied at such time.

The Moody's Trading Model Test is satisfied as at any time with respect to a Replacement (after giving effect to such Replacement together with any other Replacements made in the same Replacement Sequence) if: (a) the Moody's Metric Measure of each Class of Notes is lower than or equal to the Maximum Moody's Metric Measure of such Class of Notes; or (b) in respect of each Class of Notes: (A) in relation to which the Moody's Metric Measure of such Class of Notes is within the Moody's Permissible Metric Measure Range for such Class of Notes prior to the commencement of the relevant Replacement Sequence which includes the relevant Replacement, the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or (B) in relation to which the Moody's Metric Measure of such Class of Notes is greater than the Moody's Metric Threshold of such Class of Notes prior to the commencement of the relevant Replacement Sequence which includes the relevant Replacement: (i) the Moody's Metric Measure of such Class of Notes is reduced to less than or

equal to the Moody's Metric Threshold of such Class of Notes; (ii) the Super-Senior Trading Test has been satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or (iii) the Controlling Class Trading Test has been satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby.

The Super-Senior Trading Test is satisfied as at any time (or, if a Super-Senior Approved Replacement Period has been specified by a Super-Senior Swap Counterparty, during such Super-Senior Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to each of the Issuer and the Note Trustee (with a copy to Moody's) that a Super-Senior Swap Counterparty has confirmed in writing to the Portfolio Swap Counterparty that it has consented to the Portfolio Swap Counterparty either: (i) making the identical replacements to the relevant Super-Senior Swap Portfolio; or (ii) continuing to make replacements to the relevant Super-Senior Swap Portfolio in accordance with the Trading Guidelines during the Super-Senior Approved Replacement Period specified by such Super-Senior Swap Counterparty.

There can be no assurance that the Portfolio Swap Counterparty will conclude a Super-Senior Swap with a Super-Senior Swap Counterparty or, if such a Super-Senior Swap has been concluded, that such Super-Senior Swap will not terminate prior to the end of the Replacement Period or that a Super-Senior Swap Counterparty will agree to the inclusions of terms whereby it can be requested to consent to the Portfolio Swap Counterparty continuing to make replacements to the relevant Super-Senior Swap Portfolio. Although it is anticipated, based on information provided by the Portfolio Swap Counterparty, that (a) the terms of any Super-Senior Swap entered into by the Portfolio Swap Counterparty will be on substantially the same terms as the Portfolio Credit Swap, and (b) a Super-Senior Swap Portfolio included in any Super-Senior Swap as at the date such Super-Senior Swap is entered into by the Portfolio Swap Counterparty will be substantially similar to the Reference Portfolio as at such date, there can be no assurance (i) in the case of any such Super-Senior Swap, that such terms will not be amended, varied, supplemented or modified by the parties thereto from time to time in their absolute discretion and (ii) in the case of any such Super-Senior Swap Portfolio, that the composition of the Super-Senior Swap Portfolio and the Reference Portfolio will not diverge after such date.

A Super-Senior Swap Counterparty (if any) shall not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer, the Noteholders or the Portfolio Swap Counterparty, but will take such actions as are permitted under the relevant Super-Senior Swap which it deems to be in its interests, which may be adverse to the interests of the Issuer, the Noteholders or the Portfolio Swap Counterparty. A Super-Senior Swap Counterparty (if any) will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer, the Noteholders or the Portfolio Swap Counterparty.

The Controlling Class Trading Test is satisfied as at any time (or, if a Controlling Class Approved Replacement Period has been specified, during such Controlling Class Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to the Note Trustee (with a copy to Moody's) that the Noteholders of the Controlling Class have passed a resolution in respect of an Approved Trading Matter in accordance with the Conditions consenting to either: (i) such Replacement; or (ii) the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during such Controlling Class Approved Replacement Period.

A resolution in respect of an Approved Trading Matter by way of a Special Written Resolution of the holders of Notes of the Controlling Class or a resolution duly passed at any meeting of the holders of Notes of the Controlling Class, will be binding on all Noteholders (whether or not, in the case of a resolution duly passed at any meeting of the holders of Notes of the Controlling Class, all Classes were present at such meeting) and each holder of Notes will be bound to give effect to it accordingly.

The Portfolio Swap Counterparty shall not be liable to the Issuer or the Noteholders by reason of having acted upon any Special Written Resolution in respect of an Approved Trading Matter believed by it to be genuine or, in the case of any resolution in respect of an Approved Trading Matter purporting to have been passed at any meeting of the Controlling Class in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution or, in the case of any Special Written Resolution, there was some defect in the execution thereof or that for any reason the resolution was not valid or binding upon the Noteholders of the Controlling Class or the other Noteholders (as the case may be).

Optional Amortisation of the Reference Portfolio

On the Scheduled Amortisation Commencement Date or on any Business Day thereafter, the Portfolio Swap Counterparty will have the right to adjust the Reference Portfolio through the removal of Reference Entities or the decrease of Reference Entity Notional Amounts and/or Reference Obligation Notional Amounts (each such change a "**Removal**").

A Removal will cause a reduction in the Potential Claims Amount under the Portfolio Credit Swap which may lead to a reduction in the Maximum Noteholder Contribution Liability and a repayment of principal on the Notes. The Portfolio Swap Counterparty will promptly update the Reference Registry upon any Removal and provide a copy thereof to the Issuer, the Administrator, the Independent Confirmation Agent, each Rating Agency and the Calculation Agent. The Issuer will, via the Administrator, make such documentation available to Noteholders upon request.

Mandatory Amortisation of the Reference Portfolio

Without prejudice to the provisions in relation to Mandatory Removal, on the Scheduled Amortisation Commencement Date all Reference Entities other than:

- (a) any ABS Reference Entity;

- (b) any Corporate Reference Entity then included in any Sub-Portfolio in respect of which a Credit Event Notice has been delivered and the Conditions to Settlement have been satisfied or remain capable of being satisfied (a "**Defaulted Corporate Reference Entity**"); and
- (c) any PF Reference Entity;
- (d) will be removed from the Reference Portfolio.

On the Termination Date all Reference Entities other than:

- (a) any (i) Defaulted Corporate Reference Entity, (ii) ABS Reference Entity then included in the Reference Portfolio in respect of which a Credit Event Notice has been delivered and the Conditions to Settlement have been satisfied or remain capable of being satisfied (a "**Defaulted ABS Reference Entity**") and (iii) PF Reference Entity then included in the Reference Portfolio in respect of which a Credit Event Notice has been delivered and the Conditions to Settlement have been satisfied or remain capable of being satisfied (a "**Defaulted PF Reference Entity**" and together with any Defaulted Corporate Reference Entity and Defaulted ABS Reference Entity, each a "**Defaulted Reference Entity**"); and
- (b) any ABS Reference Entity in respect of which a Potential Failure to Pay has occurred and the Conditions to Settlement remain capable of being satisfied,

will be removed from the Reference Portfolio.

Reference Obligations

If a Credit Event occurs with respect to a Reference Entity and the Conditions to Settlement are satisfied in respect of a Reference Entity and a Sub-Portfolio the Calculation Agent will (except in the case of a Partial Principal Loss Claim or in the case of a Fixed Recovery Exposure) attempt to determine an Aggregate Reference Obligation Loss Amount by seeking market rate valuations on a Valuation Date for one or more Reference Obligations of the relevant Reference Entity as selected by the Portfolio Swap Counterparty. In the case of a Partial Principal Loss Claim based on an ABS Permanent Reduction of Principal Credit Event, the Credit Protection Valuation will be determined by reference to the amount of principal reductions of the relevant Reference Obligation. In the case of a Partial Principal Loss Claim based on a Proxy ABS Loss Event, the relevant Proxy ABS Loss Event Settlement Amount will have been determined under the settlement procedures applicable to the relevant Eligible Credit Swap Transaction and the Credit Protection Valuation for such Proxy ABS Loss Event shall be an amount equal to the lesser of the Proxy ABS Loss Event Settlement Amount and the Proxy ABS Reference Obligation Notional Amount of such Proxy ABS Reference Obligation. In the case of a Corporate Reference Entity and a Sub-Portfolio that has been designated as a Fixed Recovery Exposure, the Credit Protection Valuation will be determined by reference to the Fixed Recovery Percentage designated in respect thereof.

"Reference Obligation" means; in respect of an ABS Reference Entity (other than a Proxy ABS Reference Entity), an ABS Reference Obligation; in respect of a Proxy ABS Reference Entity, a Proxy ABS Reference Obligation; in respect of a Corporate Reference Entity, a Corporate Reference Obligation; and in respect of a PF Reference Entity, a PF Reference Obligation.

In respect of each ABS Reference Entity (other than a Proxy ABS Reference Entity), the Portfolio Swap Counterparty will, at the time of the inclusion of such ABS Reference Entity in the Reference Portfolio, designate in the Reference Registry one or more Bonds (other than a Bond which is an Excluded Security) (each an "**ABS Reference Obligation**" of the relevant ABS Reference Entity).

In designating such ABS Reference Obligations, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders.

In respect of each Proxy ABS Reference Entity, the Portfolio Swap Counterparty will designate in the Reference Registry, at the time of the inclusion of each Proxy ABS Reference Entity in the Reference Portfolio, an Eligible Credit Swap Transaction (the "**Proxy ABS Reference Obligation**") of such Proxy ABS Reference Entity. The Portfolio Swap Counterparty will also designate a Proxy ABS Reference Obligation Notional Amount in respect of each Proxy ABS Reference Obligation. An "**Eligible Credit Swap Transaction**" is a credit default swap transaction: (a) in respect of which the protection seller is the Portfolio Swap Counterparty or KBC Bank or any of their respective Affiliates; (b) that references one or more Asset-Backed Securities; (c) that is cash settled; (d) having Permitted Valuation Procedures; (e) having one or more credit events, of which one or more are Permitted Proxy Credit Events; (f) that is identifiable by a unique number or reference set out in the confirmation relating thereto; and (g) that expressly permits its disclosure to the Issuer, the Rating Agencies, the Administrator, the Note Trustee, the Independent Confirmation Agent, the Independent Verification Agent, any Super-Senior Swap Provider, any such other person or persons as the Portfolio Swap Counterparty may reasonably require and to the Noteholders for the purposes of its designation as an Eligible Credit Swap Transaction.

"Permitted Valuation Procedures" means valuation procedures that are identical to or, in the reasonable commercial judgment of the Portfolio Swap Counterparty, substantially the same as the corresponding valuation procedures set out in the Portfolio Credit Swap.

A "**Permitted Proxy Credit Event**" means a Credit Event (as defined in the relevant Eligible Credit Swap Transaction) that is identical to or, in the reasonable commercial judgment of the Portfolio Swap Counterparty, substantially the same as the corresponding ABS Reference Entity Credit Event included in the Portfolio Credit Swap. For the avoidance of doubt, if a Credit Event (as defined in the relevant Eligible Credit Swap Transaction) which is not a Permitted Proxy Credit Event occurs under an Eligible Credit Swap Transaction, such Credit Event will not constitute a Proxy ABS Loss Event for the purpose of the Portfolio Credit Swap and any Cash Settlement Amount (as defined in the terms of such Eligible Credit Swap Transaction) determined in respect thereof under such Eligible Credit Swap Transaction will not constitute a Proxy ABS Loss Event Settlement Amount for the purposes of the Portfolio Credit Swap.

Promptly following the designation of a Proxy ABS Reference Entity, the Portfolio Swap Counterparty will make a copy available of the confirmation evidencing the relevant Eligible Credit Swap Transaction thereof for, on written request, the Issuer, the Administrator, the Note Trustee, the Rating Agencies, the Independent Confirmation Agent, the Independent Verification Agent, any Super-Senior Swap Counterparty, any such other person or persons as the Portfolio Swap Counterparty may reasonably require and the Portfolio Swap Counterparty shall, via the Administrator, make copies of such documents available to the Noteholders on written request.

In designating such Proxy ABS Reference Obligations, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders.

If a Credit Event occurs with respect to a Corporate Reference Entity (other than a Fixed Recovery Exposure), the Portfolio Swap Counterparty will designate, for the purposes of each Sub-Portfolio which includes that Corporate Reference Entity and in respect of which the Conditions to Settlement are satisfied, by written notification to the Issuer and the Calculation Agent on or before the relevant Valuation Date, one or more obligations of such Corporate Reference Entity (either directly or as provider of a Qualifying Guarantee or, if the Monoline Provisions are applicable to the relevant Corporate Reference Entity, as provider of a Qualifying Policy) each of which will constitute a "**Corporate Reference Obligation**" in respect of such Corporate Reference Entity for the purposes of the relevant Sub-Portfolio.

In designating such Corporate Reference Obligations, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. It should be assumed that the Portfolio Swap Counterparty will designate the obligation of the Corporate Reference Entity with the lowest value as the Corporate Reference Obligation.

If a Corporate Reference Entity is included in more than one Sub-Portfolio, different Corporate Reference Obligations may be designated in respect of that Corporate Reference Entity for the purposes of each such Sub-Portfolio.

The Portfolio Swap Counterparty may only select an obligation as a Corporate Reference Obligation of a Corporate Reference Entity for the purposes of a Sub-Portfolio if:

- (a) it is the Benchmark Obligation, if any, designated in respect of such Corporate Reference Entity and such Sub-Portfolio; or
- (b) it is not Subordinated to such Benchmark Obligation, if any, is a Loan (or the Underlying Obligation of which is a Loan) if such Benchmark Obligation is a Loan and, as of the date of designation, satisfies the Basic Obligation Criteria and the Corporate Reference Obligation Criteria; or
- (c) if no Benchmark Obligation has been specified in respect of such Corporate Reference Entity for the purposes of such Sub-Portfolio, (1) it is, unless the Reference Registry indicates that 'Subordinated Provisions' are applicable to the relevant Corporate Reference Entity and that Sub-Portfolio, as of the date of designation, not Subordinated to any unsecured unsecured Borrowed Money obligation of the Corporate Reference Entity (which requirement will apply to a Qualifying Guarantee and the related Underlying Obligation); and (2) as at the date of designation, it satisfies the Basic Obligation Criteria and the Corporate Reference Obligation Criteria,

Provided that, if any obligation so designated ceases to satisfy the Corporate Reference Obligation Criteria on or prior to the date that a Final Price is determined in respect thereof, the Portfolio Swap Counterparty may, but is not obliged to, designate an alternative obligation therefor and, if the Valuation Date has then occurred, recommence the valuation procedures with the Valuation Date deemed to be the Valuation Business Day following such alternative designation.

If a Corporate Reference Obligation designated by the Portfolio Swap Counterparty is to be, or there is a substantial likelihood that such Corporate Reference Obligation may be, converted, exchanged or otherwise transformed into any other type of property, including equity, on or before the tenth Business Day falling after the Valuation Date applicable to that Corporate Reference Obligation, the Portfolio Swap Counterparty may, by notice to the Calculation Agent, elect to re-designate the Valuation Date as any Valuation Business Day falling prior to such anticipated conversion, exchange or transformation (**provided that** such re-designated Valuation Date may not fall less than 30 Business Days after the first date upon which the relevant Credit Event Notice and Notice of Publicly Available Information are effective unless information is available from a source which could originate Publicly Available Information confirming the scheduled occurrence or substantial likelihood of the occurrence of such a conversion, exchange or transformation).

The "**Corporate Reference Obligation Criteria**" means, with respect to a Corporate Reference Entity (and for the purposes of a Sub-Portfolio), an obligation thereof and any date of determination, that such obligation, as of the date of determination:

- (a) is:
 - (1) a Bond or the Underlying Obligation of which is a Bond (which may be, for the avoidance of doubt, an Accreting Obligation, a Convertible Obligation or an Exchangeable Obligation) and that is Transferable, Not Bearer and Not Contingent (in each case, if applicable to such Corporate Reference Entity); or
 - (2) a Loan or the Underlying Obligation of which is a Loan which is:
 - (A) either an Assignable Loan or a Consent Required Loan (in each case, if applicable to such Corporate Reference Entity); and
 - (B) Not Contingent (if applicable to such Corporate Reference Entity);
- (b) is (if Specified Currency is applicable to such Reference Entity) payable in any of the Specified Currencies (which requirement will apply to both a Qualifying Guarantee and the related Underlying Obligation);
- (c) does not (if Maximum Maturity is applicable to such Corporate Reference Entity) have a remaining maturity of greater than 30 years from the relevant Valuation Date (or, for the purposes of the designation of a Benchmark Obligation, the latest possible Valuation Date);
- (d) is, if Restructuring (denoted as "R") is specified in the Reference Registry to be applicable to such Corporate Reference Entity and Restructuring is the only Credit Event cited in any relevant Credit Event Notice which may have been delivered by the Portfolio Swap Counterparty (in respect of such Corporate Reference Entity and Sub-Portfolio), an obligation that otherwise satisfies the Corporate Reference Obligation Criteria;
- (e) is, if Modified Restructuring (denoted as "Mod R") is specified in the Reference Registry to be applicable to such Corporate Reference Entity and Restructuring is the only Credit Event cited in any relevant Credit Event Notice which may have been delivered by the Portfolio Swap Counterparty (in respect of such Corporate Reference Entity and Sub-Portfolio), an obligation that is a Fully Transferable Obligation with a final maturity date not later than the Restructuring Maturity Limitation Date; and
- (f) is, if Modified Modified Restructuring (denoted as "Mod Mod R") is specified in the Reference Registry to be applicable to such Corporate Reference Entity and Restructuring is the only Credit Event cited in any relevant Credit Event Notice which may have been delivered by the Portfolio Swap Counterparty (in respect of such Corporate Reference Entity and Sub-Portfolio), an obligation that is a Conditionally Transferable Obligation with a final maturity date not later than the Modified Restructuring Maturity Limitation Date.

For the avoidance of doubt, if Restructuring is specified in the Reference Registry not to be applicable (denoted as "No R") to such Corporate Reference Entity, Restructuring of such Corporate Reference Entity or the relevant Obligation(s) thereof will not constitute a Credit Event.

The following Obligation Characteristics or Deliverable Obligation Characteristics are applicable to each Corporate Reference Entity: Specified Currency; Not Bearer; Not Contingent; Transferable; Maximum Maturity; Assignable Loan; and Consent Required Loan.

For the purposes of the Corporate Reference Obligation Criteria, references to the maturity date or remaining maturity will, with respect to a Qualifying Guarantee or Qualifying Policy, be deemed to refer to the maturity or remaining maturity of the relevant Underlying Obligation or Insured Instrument as the case may be.

For the avoidance of doubt the Portfolio Swap Counterparty may, but is not obliged to, select any Benchmark Obligation of a Corporate Reference Entity as a Corporate Reference Obligation thereof.

In respect of each PF Reference Entity, the Portfolio Swap Counterparty will designate in the Reference Registry one or more Eligible PF Loans (each a "**PF Reference Obligation**") of the relevant PF Reference Entity and in respect of each such PF Reference Obligation will designate the PF Reference Obligation Notional Amount in respect of such PF Reference Obligation.

In designating such PF Reference Obligations, the Portfolio Swap Counterparty will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders.

The Portfolio Swap Counterparty may or may not have a credit exposure to any Reference Entity and may or may not have such an exposure to any Reference Entity in the form of any Reference Obligation or, in the case of a Corporate Reference Entity, a Benchmark Obligation, designated by the Portfolio Swap Counterparty in respect of such Reference Entity.

Reference Obligation Notional Amounts

In respect of each ABS Reference Entity (other than a Proxy ABS Reference Entity), the Portfolio Swap Counterparty will, at the time of the inclusion of such ABS Reference Entity in the Reference Portfolio, designate in the Reference Registry one or

more ABS Reference Obligations and designate notional amounts denominated in Euro (each, an "**ABS Reference Obligation Notional Amount**") for each such ABS Reference Obligation. With respect to an ABS Reference Entity (other than a Proxy ABS Reference Entity), the Reference Entity Notional Amount thereof will equal the sum of ABS Reference Obligation Notional Amounts of the ABS Reference Obligations thereof.

In respect of each Proxy ABS Reference Entity, the Portfolio Swap Counterparty will, at the time of the inclusion of such Proxy ABS Reference Entity in the Reference Portfolio, designate in the Reference Registry a single Proxy ABS Reference Obligation and will designate a notional amount denominated in Euro (a "**Proxy ABS Reference Obligation Notional Amount**") for such Proxy ABS Reference Obligation.

If a Credit Event occurs with respect to a Corporate Reference Entity (other than a Fixed Recovery Exposure) and the Conditions to Settlement are satisfied with respect to such Corporate Reference Entity and one or more of the Sub-Portfolios which include such Corporate Reference Entity, the Portfolio Swap Counterparty will, in respect of each Sub-Portfolio, on or before the Valuation Date relating thereto, allocate, by written notification to the Issuer and the Calculation Agent, a Euro notional amount in respect of each Corporate Reference Obligation designated in respect of such Corporate Reference Entity for the purposes of each Sub-Portfolio (each, a "**Corporate Reference Obligation Notional Amount**" for each Corporate Reference Obligation for the purposes of such Sub-Portfolio).

In respect of each PF Reference Entity, the Portfolio Swap Counterparty will, at the time of the inclusion of such PF Reference Entity in the Reference Portfolio, designate in the Reference Registry one or more PF Reference Obligations and in respect of each such PF Reference Obligation designate notional amounts denominated in Euro (each, an "**PF Reference Obligation Notional Amount**") for each such PF Reference Obligation. With respect to a PF Reference Entity, the PF Reference Entity Notional Amount thereof will equal the sum of the PF Reference Obligation Notional Amounts of the PF Reference Obligations thereof.

"Reference Obligation Notional Amount" means:

- (a) in respect of an ABS Reference Obligation (other than a Proxy ABS Reference Obligation), the ABS Reference Obligation Notional Amount thereof;
- (b) in respect of a Proxy ABS Reference Obligation, the Proxy ABS Reference Obligation Notional Amount thereof;
- (c) in respect of a Corporate Reference Obligation, the Corporate Reference Obligation Notional Amount; and
- (d) in respect of a PF Reference Obligation, the PF Reference Obligation Notional Amount thereof.

If a Corporate Reference Entity is included in more than one Sub-Portfolio and the same Corporate Reference Obligation has been designated in respect of such Corporate Reference Entity for the purposes of more than one such Sub-Portfolio, different Corporate Reference Obligation Notional Amounts may be designated for such Corporate Reference Obligation for the purposes of each such Sub-Portfolio.

For the purposes of any Sub-Portfolio and with respect to any Corporate Reference Entity, the sum of the Corporate Reference Obligation Notional Amounts (of the Corporate Reference Obligations of such Corporate Reference Entity for the purposes of such Sub-Portfolio) may not exceed the Reference Entity Notional Amount of that Corporate Reference Entity for the purposes of such Sub-Portfolio.

"Reference Entity Notional Amount" means for each Reference Entity and for the purposes of a Sub-Portfolio, the Euro amount identified as such and set forth in the Reference Registry opposite the name of that Reference Entity in a column (or table) headed by the name of that Sub-Portfolio (which, in the case of an ABS Reference Entity (other than a Proxy ABS Reference Entity), shall be the sum of the ABS Reference Obligation Notional Amounts of the ABS Reference Obligations thereof and which, in the case of a PF Reference Entity, shall be the sum of the PF Reference Obligation Notional Amounts of the PF Reference Obligations thereof).

For the avoidance of doubt, the Reference Entity Notional Amount of a Proxy ABS Reference Entity shall be an amount equal to the Proxy ABS Reference Obligation Notional Amount of the Proxy ABS Reference Obligation designated in respect of such Proxy ABS Reference Entity.

Fixed Recovery Exposures with respect to Corporate Reference Entities

The Portfolio Swap Counterparty may, but is not obligated to, designate in respect of a Corporate Reference Entity and a Sub-Portfolio which includes such Corporate Reference Entity in the Reference Registry, opposite the name of such Corporate Reference Entity in a column (or table) entitled with the name of that Sub-Portfolio, a fixed recovery percentage (a the "**Fixed Recovery Percentage**") in respect of such Corporate Reference Entity and a Sub-Portfolio by reference to which the Reference Obligation Loss Amount in respect of each Reference Obligation of such Corporate Reference Entity and the relevant Sub-Portfolio shall be determined (such Corporate Reference Entity in respect of such Sub-Portfolio only, a "**Fixed Recovery Exposure**").

Definitions applicable to the Designation of the Reference Portfolio and Reference Obligations

"ABS Direct Portfolio" is a Sub-Portfolio of the Reference Portfolio which includes ABS Reference Entities only.

"**ABS Direct Portfolio Reference Entity**" is an ABS Reference Entity identified as an ABS Reference Entity in the Reference Registry (or any Successor thereto).

"**Accreting Obligation**" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not:

- (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index; or
- (b) periodic cash interest is also payable.

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent.

The "**A-1 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-1 Reference Entities only.

An "**A-1 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-1" (or any Successor thereto).

The "**A-2 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-2 Reference Entities only.

An "**A-2 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-2" (or any Successor thereto).

The "**A-3 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-3 Reference Entities only.

An "**A-3 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-3" (or any Successor thereto).

The "**A-4 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-4 Reference Entities only.

An "**A-4 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-4" (or any Successor thereto).

The "**A-5 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-5 Reference Entities only.

An "**A-5 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-5" (or any Successor thereto).

The "**A-6 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-6 Reference Entities only.

An "**A-6 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-6" (or any Successor thereto).

The "**A-7 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-7 Reference Entities only.

An "**A-7 Reference Entity**" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-7" (or any Successor thereto).

The "**A-8 Inner Tranche Portfolio**" is a Sub-Portfolio of the Reference Portfolio which includes A-8 Reference Entities only.

An **"A-8 Reference Entity"** is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-8" (or any Successor thereto).

The **"A-9 Inner Tranche Portfolio"** is a Sub-Portfolio of the Reference Portfolio which includes A-9 Reference Entities only.

An **"A-9 Reference Entity"** is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-9" (or any Successor thereto).

The **"A-10 Inner Tranche Portfolio"** is a Sub-Portfolio of the Reference Portfolio which includes A-10 Reference Entities only.

An **"A-10 Reference Entity"** is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Inner Tranche Portfolio A-10" (or any Successor thereto).

"Asset-Backed Securities" means any obligation that, in the reasonable commercial judgment of the Portfolio Swap Counterparty, is either:

- (a) a security or an obligation that is evidenced by a certificate that is primarily serviced by the cash flows of a portfolio of receivables (whether present or future) or other assets including, without limitation, securities, loans or synthetic assets, either fixed or revolving, together with any rights or other assets designed to assure the servicing or timely distribution of proceeds to the holders thereof; or
- (b) an "asset-backed security" as such term may be defined from time to time in the "General Instructions to Form S-3 Registration Statement" promulgated under the U.S. Securities Act of 1933, as amended.

"Bond" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term will include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit) that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security.

"Borrowed Money" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term will include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

"CDO of ABS Security" means a security in respect of which, in the reasonable commercial judgment of the Portfolio Swap Counterparty, the issuer thereof funds the majority of its payments from the cash flows of a portfolio of Asset-Backed Securities.

"Certificate Balance" means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

"Conditionally Transferable Obligation" means an Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Obligation other than Bonds, provided, however, that an Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of an Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of an Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation will not be considered to be a requirement for consent for these purposes.

"Consent Required Loan" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent.

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Corporate Direct Portfolio" is a Sub-Portfolio of the Reference Portfolio which includes Corporate Direct Portfolio Reference Entities only.

"Corporate Direct Portfolio Reference Entity" is a Corporate Reference Entity in respect of which the Reference Registry records a Reference Entity Notional Amount against the name of that Corporate Reference Entity in a column (or table) entitled "Corporate Direct Portfolio" (or any Successor thereto).

A "**Direct Portfolio Reference Entity**" means a Reference Entity identified in the Reference Registry as an ABS Direct Portfolio Reference Entity, a Corporate Direct Portfolio Reference Entity or a PF Direct Portfolio Reference Entity.

An "**Eligible PF Loan**" means a Project Finance Loan or a Project Finance Guarantee Indemnity which has been assessed in writing by a Rating Agency in a manner consistent with a rating which might be attributed to a project finance debt obligation (and any such credit assessment rating so determined shall be deemed, for the purposes of the Entity Criteria and Reference Portfolio Criteria, to be the Fitch Rating, the Moody's Rating or the S&P Rating, as the case may be, of the project finance asset).

"**Eligible Project**" means a project which satisfies the requirements of paragraph (d) of the PF Direct Portfolio Criteria.

"**Eligible Project Agreement**" means a project agreement which satisfies the requirements of paragraph (c) of the PF Direct Portfolio Criteria and which evidences an Eligible Project.

"**Eligible Project Sector**" means a project sector which satisfies the requirements of paragraph (e) of the PF Direct Portfolio Criteria.

"**Eligible Transferee**" means a legal entity meeting certain asset ownership criteria and or certain sovereign or supranational entities as more fully described in the Portfolio Credit Swap.

"**Equity Securities**" means, in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time, and in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"**Exchangeable Obligation**" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"**Excluded Security**" means:

(a) a Synthetic Security in respect of which:

- (1) the assets constituting the underlying portfolio(s) linked to (A) the credit default swap transaction(s), or (B) the credit derivative transaction(s) entered into by the issuer of such Synthetic Security (as the case may be), are managed, either directly or indirectly, by the Portfolio Swap Counterparty or any of its Affiliates or the Portfolio Swap Counterparty or any of its Affiliates is the protection buyer under any such credit default swap transaction or credit derivative transaction (as the case may be); or
- (2) the underlying portfolio, as determined by the Portfolio Swap Counterparty in its reasonable commercial judgment, consists solely or predominantly of debt securities of corporate entities, is static and has an average rating of not less than BBB- by Fitch or Baa3 by Moody's (or, if such corporate entity is not rated by either Fitch or Moody's, not less than BBB- by S&P); or

(b) a CDO of ABS Security in respect of which:

- (1) the Asset-Backed Securities constituting the underlying portfolio(s) are managed, either directly or indirectly, by the Portfolio Swap Counterparty or any of its Affiliates; or
- (2) the underlying portfolio of Asset-Backed Securities, as determined by the Portfolio Swap Counterparty in its reasonable commercial judgment, is (A) static and (B) includes a number of Asset-Backed Securities selected, either directly or indirectly, by the Portfolio Swap Counterparty or any of its Affiliates, which, when expressed as a percentage of the total number of Asset Backed Securities in such portfolio, exceeds 10%,

and "**Excluded Securities**" shall be construed accordingly.

"**Fully Transferable Obligation**" means an obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to Eligible Transferees without the consent of any person being required, in the case of any obligation other than Bonds. For purposes of determining whether an obligation is Transferable or is capable of being assigned or novated to Eligible Transferees, such determination will be made taking into account only the terms of the obligation and any related transfer or consent documents which have been obtained by the Portfolio Swap Counterparty or which the Calculation Agent determines to be generally available. Any requirement that notification of novation, assignment or transfer of an obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an obligation will not be considered to be a requirement for consent for these purposes.

"**Inner Tranche Portfolios**" means collectively, the A-1 Inner Tranche Portfolio, the A-2 Inner Tranche Portfolio, the A-3 Inner Tranche Portfolio, the A-4 Inner Tranche Portfolio, the A-5 Inner Tranche Portfolio, the A-6 Inner Tranche Portfolio, the A-7 Inner Tranche Portfolio, the A-8 Inner Tranche Portfolio, the A-9 Inner Tranche Portfolio and the A-10 Inner Tranche Portfolio (each of which is an "**Inner Tranche Portfolio**").

"Instrument Payments" means (a) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (b) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (a) and (b) (1) determined without regard to limited recourse or reduction provisions of the Insured Instrument and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

"Insured Instrument" has the meaning given thereto in the definition of Qualifying Policy.

"Loan" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term will include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit) that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement.

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to an Obligation, the date that is the later of (x) the Scheduled Termination Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Obligations.

"Monoline Provisions" mean the provisions set out in the Portfolio Credit Swap which define and describe the extent to which Qualifying Policies may constitute Obligations and/or Reference Obligations of a Reference Entity. Generally, in the event that an Obligation or a Reference Obligation is a Qualifying Policy, the terms of Section 2.21(d) of the 2003 Definitions and the provisions relating to the designation of Reference Obligations therein will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively.

"Multiple Holder Obligations" means an Obligation that:

- (a) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other; and
- (b) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event **provided that** any Obligation that is a Bond will be deemed to satisfy this requirement.

"Not Bearer" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognised clearing system.

"Not Contingent" means any obligation having as of the relevant date of determination and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a due and payable amount that, pursuant to the terms of such obligation, may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation will satisfy this characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (a) to convert or exchange such obligation or (b) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the relevant date of determination.

"Periodic Report" means, with respect to an Obligation and any date of determination, any trustee report, servicer report or other similar document:

- (a) required to be distributed to or made available to holders of such Reference Obligation; and
- (b) that is available to the Calculation Agent on such date of determination.

"PF Direct Portfolio" is a Sub-Portfolio of the Reference Portfolio which includes PF Reference Entities only.

"PF Direct Portfolio Reference Entity" is a PF Reference Entity identified as a PF Reference Entity in the Reference Registry (or any Successor thereto).

"PF Lender" means, with respect to a PF Reference Obligation, the lender(s) or owner(s) thereof, including, as the case may be, the Portfolio Swap Counterparty and/or any of its Affiliates.

"PF Participant" means in the case of PF Subparticipations, the lending third party bank from which the PF Subparticipation has been granted.

"PF Security or Agency Intermediary" means any security agent, security trustee, facility agent or other relevant person(s)

from time to time acting as the trustee(s) or agent(s) of the PF Lender and others under any facility agreement, intercreditor agreement, trust deed or such other document executed in connection with the constitution, creation or administration of a PF Reference Obligation.

"PF Subparticipation" means a subparticipation in respect of a PF Reference Obligation granted by a PF Participant to a PF Lender under which such PF Lender has a contractual right with recourse to the PF Participant for a specified share of any payments in respect of principal due under the relevant PF Reference Obligation which are received by the PF Participant.

"Project Contractor" means an entity (which, for the avoidance of doubt shall include such entity and/or any subsidiary or Affiliate of such entity) or combination of entities that has entered into an Eligible Project Agreement with another Project Finance Counterparty in relation to an Eligible Project and whose business (either alone or in conjunction with a Project Funding Vehicle) is or includes that Eligible Project.

"Project Finance Counterparty" means an entity which is:

- (a) a corporate or commercial entity (including, for the avoidance of doubt, any entity created for the purposes of or participating in a joint venture);
- (b) the central government of any country;
- (c) any local, regional, state or provincial authority or other unit of local, regional, state or provincial government of any country;
- (d) any entity which is an office, agency or instrumentality of central government of any country or of a local, regional, state or provincial authority or unit of local, regional, state or provincial government of any country and which is used by central government or that local, regional, state or provincial authority or unit of local, regional, state or provincial government (as applicable) to arrange the delivery and/or management of an Eligible Project; or
- (e) any other entity that commissions or undertakes (in whole or in part) the delivery and/or management of an Eligible Project.

A **"Project Finance Guarantee Indemnity"** means a claim, including a partial claim, owed by the PF Reference Entity to or for the benefit of a PF Lender under any guarantee indemnity, reimbursement obligation or any rights acquired by such PF Lender through subrogation, in each case in relation to repayment of principal and/or interest arising from certain project finance loans (including loans, bonds and other finance instruments) made to the PF Reference Entity in connection with the Project Contractor's obligations under the Relevant Project Agreement.

A **"Project Finance Loan"** means a claim, including a partial claim, owed by the PF Reference Entity to or for the benefit of a PF Lender (including PF Subparticipations) for the repayment of principal and/or interest arising from certain project finance loans (including loans, bonds and other finance instruments) made to the PF Reference Entity in connection with the Project Contractor's obligations under the Relevant Project Agreement.

"Project Funding Vehicle" means an entity whose sole business is to raise funds and to lend those funds to a Project Contractor in connection with the Project Contractor's obligations under a Relevant Project Agreement.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees will exclude any arrangement (a) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (b) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment).

"Qualifying Policy" means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (the **"Insured Instrument"**) for which another party (including a special purpose entity or trust) is the obligor (the **"Insured Obligor"**). For these purposes 'Borrowed Money' and 'Bond' will be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest and 'Bond' will be deemed to include such an Insured Instrument.

"Reference Entity" means, at any time, each entity (including any Successor thereto) and Proxy ABS Reference Entity specified by the Portfolio Swap Counterparty in the Reference Registry (at such time) as constituting part of the ABS Direct Portfolio, the Corporate Direct Portfolio or the PF Direct Portfolio and/or one or more Inner Tranche Portfolios.

"Relevant Project Agreement" means the Eligible Project Agreement to which a PF Reference Obligation relates and to which the relevant Project Contractor in respect of that PF Reference Obligation is a party.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (a) thirty months following the Restructuring Date and (b) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances will the Restructuring Maturity Limitation Date be earlier than the Scheduled Termination Date or later than thirty months following the Scheduled Termination Date and if it is, it will be deemed to be the Scheduled Termination Date or thirty months following the Scheduled Termination Date, as the case may be.

"Specified Currencies" means the lawful currencies from time to time of Canada, Japan, Switzerland, the United Kingdom, Australia, New Zealand and the United States of America and the Euro (and any successor currency to any such currency).

"Sub-Portfolio" means each or any of the Inner Tranche Portfolios and the Direct Portfolios.

"Subordinated Provisions" mean the provisions set out in the Portfolio Credit Swap which permit the designation of Reference Obligations or Benchmark Obligations in respect of a Reference Entity (other than a Proxy ABS Reference Entity) which are, as at the date of designation, Subordinated to any unsubordinated unsecured Borrowed Money obligation of the relevant Reference Entity.

"Subordination" means, with respect to an obligation (the **"Subordinated Obligation"**) and another obligation of the Reference Entity (other than a Proxy ABS Reference Entity) to which such obligation is being compared (the **"Senior Obligation"**), a contractual, trust or similar arrangement providing that (a) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (b) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. **"Subordinated"** will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements will not be taken into account.

"Successor" means, with respect to a Reference Entity (other than a Proxy ABS Reference Entity), each successor thereto determined in accordance with section 2 of the 2003 Definitions. If pursuant to the 2003 Definitions more than one Successor is identified in respect of a Reference Entity, then for the purposes of each Sub-Portfolio which included the original Reference Entity, each such Successor will, in place of the original Reference Entity unless it too is such a Successor, be deemed to be a Reference Entity in such Sub-Portfolio, each with a Reference Entity Notional Amount (for the purposes of that Sub-Portfolio) equal to the Reference Entity Notional Amount of the original Reference Entity (for the purposes of that Sub-Portfolio) divided by the number of Successors thereto, **provided that**, if any Successor (which is not the original Reference Entity) is already a Reference Entity in the relevant Sub-Portfolio (an **"Existing Reference Entity"**), an amount equal to the Reference Entity Notional Amount of the original Reference Entity (for the purposes of that Sub-Portfolio) divided by the number of Successors thereto will be added to the existing Reference Entity Notional Amount of the Existing Reference Entity (for the purposes of that Sub-Portfolio).

"Synthetic Security" means, as determined by the Portfolio Swap Counterparty in its reasonable commercial judgment, a security in respect of which the issuer thereof funds the majority of its payment obligations from:

- (a) the premium received by such issuer on one or more credit default swap transactions linked to one or more underlying portfolios of securities; or
- (b) the cash flow received by such issuer from one or more credit derivative transactions linked to one or more notional portfolios of loans or debt securities or any other instruments entered into by such issuer and from a repurchase agreement, sovereign debt or other highly rated securities purchased with the proceeds from such security.

"Transferable" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction **provided that** none of the following will be considered contractual, statutory or regulatory restrictions:

- (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S under the Securities Act (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.

Maximum Noteholder Contribution Liability

The Calculation Agent will, on or as of the third Business Day preceding each Payment Date (each a **"Maximum Liability Determination Date"**) falling on or after the earlier of (a) the Scheduled Amortisation Commencement Date and (b) the Termination Date, determine and notify the Portfolio Swap Counterparty, the Issuer and the Administrator of the Maximum Noteholder Contribution Liability.

The Calculation Agent will calculate the **"Maximum Noteholder Contribution Liability"** for any Payment Date as the sum of:

- (a) the Maximum Cash Settlement Amount; *minus*

- (b) the anticipated balance of the Cash Reserve Account as of the relevant Payment Date (prior to the payment of any Cash Settlement Amounts) (but after accounting for reinstatements of the Adjusted Principal Balance of the Notes in accordance with the Conditions).

For the purposes of determining the Maximum Noteholder Contribution Liability for any Payment Date, the Calculation Agent will assume that no Credit Events or Potential Failure to Pay other than those in respect of which Credit Event Notices have been given have occurred or will occur between the Maximum Liability Determination Date and such Payment Date.

In respect of any Payment Date, the "**Maximum Cash Settlement Amount**" means the maximum aggregate Cash Settlement Amounts, as determined by the Calculation Agent, which the Issuer would be obliged to pay on or after such date:

- (a) taking into consideration each Credit Protection Valuation in relation to which a Calculation Verification Date has occurred and which is eligible for payment on or after the relevant Payment Date;
- (b) presuming for such purposes only, that the Aggregate Reference Obligation Loss Amount which would be determined in respect of each Reference Entity for the purposes of each Sub-Portfolio which includes it and in respect of which a Credit Event Notice has been delivered but in relation to which a Calculation Verification Date has not occurred, is equal to the Reference Entity Notional Amount of that Reference Entity for the purposes of such Sub-Portfolio; and
- (c) taking into account the Potential Claims Amount in respect of such Payment Date.

"**Potential Claims Amount**" means, in respect of any Payment Date, the aggregate of the Reference Entity Notional Amounts of each Reference Entity in respect of which the Portfolio Swap Counterparty will, under the terms of the Portfolio Credit Swap, be entitled to deliver a Credit Event Notice for a Credit Event occurring after such Payment Date.

Latent Data Defects

If a Reference Entity is included in a Sub-Portfolio or is the subject of a Replacement and such inclusion or Replacement (as the case may be) is made in good faith in reliance upon data which later transpires to be inaccurate then:

- (a) if the inclusion or Replacement of the Reference Entity would, had the correct data been applied as of the relevant date, not have resulted in non-compliance with the Trading Guidelines on such date, then such Reference Entity will remain in the relevant Sub-Portfolio and the correct data in respect of the relevant entity will be applied in the determination of Reference Portfolio Criteria compliance thereafter;
- (b) if the inclusion or Replacement of the Reference Entity would, had the correct data been applied as of the relevant date, have resulted in non-compliance with the Trading Guidelines on such date, then such Reference Entity (or any erroneously increased portion of the Reference Entity Notional Amount thereof) will be ineligible for protection under the Portfolio Credit Swap at such time and will be removed from the relevant Sub-Portfolio (or, in the case of an erroneous increase in the Reference Entity Notional Amount, such Reference Entity Notional Amount will be reduced accordingly) but, to the extent that no Credit Event has occurred in respect of such Reference Entity, will remain the potential subject of a later Replacement; and
- (c) the inclusion of any other Reference Entity and any Replacement in respect of any other Reference Entity made in good faith reliance upon the incorrect data in respect of the relevant Reference Entity prior to the discovery of the defects thereof will be treated for the purposes of the Portfolio Credit Swap and the Reference Portfolio Criteria as if such data had in fact been correct.

If pursuant to paragraph (b) above a Reference Entity is removed from a Sub-Portfolio (or the Reference Entity Notional Amount of a Reference Entity is reduced) it (or such amount) may only be replaced by one or more Replacement which, in addition to the Trading Guidelines applicable, maintains or improves the Reference Portfolio Criteria in relation to which the defective data resulted in non-compliance but presuming, for the purposes of such Replacement requirement, that the incorrect data was in fact accurate.

Credit Protection Claims

Following the occurrence of a Credit Event with respect to a Reference Entity (or, for the avoidance of doubt, with respect to one or more of its Obligations) the Portfolio Swap Counterparty may elect to deliver a Credit Event Notice in respect of such Reference Entity and any one or more Sub-Portfolios which include it. A Credit Event Notice delivered under the Portfolio Credit Swap in respect of a Reference Entity will specify the Sub-Portfolios to which it relates, and if it fails to do so that Credit Event Notice will be deemed to be given in respect of each Sub-Portfolio which includes the relevant Reference Entity. A Credit Event Notice and Notice of Publicly Available Information may be delivered in respect of a Reference Entity and some, but not all, of the Sub-Portfolios which include it. The non-delivery of a Credit Event Notice and Notice of Publicly Available Information in respect of a Reference Entity and any Sub-Portfolio which includes it will not prevent a subsequent delivery of such notices with respect to such Reference Entity and any such Sub-Portfolio (in which it continues to be included).

"**Obligation**" means:

- (a) with respect to any Corporate Reference Entity, the Benchmark Obligation, if any, designated in respect thereof in the Reference Registry and any other obligation (excluding an obligation under a revolving credit arrangement for which

there are no outstanding, unpaid drawings in respect of principal) of the Corporate Reference Entity (either directly or as provider of any Qualifying Guarantee or, if the Monolines Provisions are applicable, a Qualifying Policy) for the payment or repayment of borrowed money (which term will include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);

- (b) with respect to any Proxy ABS Reference Entity, only the Proxy ABS Reference Obligation thereof;
- (c) with respect to any PF Reference Entity, only the PF Reference Obligation thereof; and
- (d) with respect of any ABS Reference Entity (other than a Proxy ABS Reference Entity), each ABS Reference Obligation designated in respect thereof in the Reference Registry and any other obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) of the ABS Reference Entity for the payment or repayment of borrowed money (which term will include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit) which is not Subordinated to the most senior ABS Reference Obligation of that ABS Reference Entity in priority of payment (each such obligation, a "**Senior Obligation**"); **Provided that**, a Senior Obligation shall not be an "Obligation" for the purposes of this definition if: (i) having regard to the relevant contractual, trust or similar arrangement applying to both such Senior Obligation and the Reference Obligation, such Senior Obligation is in any circumstances Subordinated in priority of payment to the Reference Obligation, the ranking in priority of payment being determined both as of the date on which such Reference Obligation was issued or incurred and as of the date of delivery of the relevant Credit Event Notice; (ii) such Senior Obligation and the Reference Obligation do not form part of the same series of obligations or are not secured by, or otherwise do not have the benefit of, any security interest of any kind, or any analogous right, however created or arising, over or in respect of the same assets; (iii) as of the time of issue and the date of delivery of the relevant Credit Event Notice, such Senior Obligation had a lower Moody's Rating (if then rated by Moody's), or Fitch Rating (if then rated by Fitch) (or, if not then rated by Moody's or Fitch, S&P Rating), than the Reference Obligation; or (iv) either such Senior Obligation or the Reference Obligation is a Monoline Wrapped Obligation or the subject of any arrangement whereby the payment obligations thereunder are guaranteed. Any Senior Obligation which is an "Obligation" for the purposes of this definition shall be referred to as a "**Qualifying Senior Obligation**".

Credit Events

A "**Credit Event**" means (a) with respect to a Corporate Reference Entity or the relevant Obligation(s) thereof, each Corporate Reference Entity Credit Event, (b) with respect to an ABS Reference Entity (other than a Proxy ABS Reference Entity) or the relevant Obligation(s) thereof, each ABS Reference Entity Credit Event, (c) with respect to a Proxy ABS Reference Entity and the Proxy ABS Reference Obligation thereof, the Proxy ABS Reference Entity Credit Event, and (d) with respect to a PF Reference Entity and the PF Reference Obligation thereof, the PF Reference Entity Credit Event. Each such Credit Event will apply to the Portfolio Credit Swap.

Corporate Reference Entity Credit Events

"**Corporate Reference Entity Credit Event**" means, the occurrence, with respect to a Corporate Reference Entity or the relevant Obligation(s) thereof, as the case may be, of any of the following events.

- (a) "**Bankruptcy**" means a Corporate Reference Entity:
 - (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
 - (2) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
 - (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (4) (A) institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (A) above and either (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained in each case within 15 calendar days of the institution or presentation thereof;
 - (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (excluding for the

avoidance of doubt, the appointment by the Corporate Reference Entity of a trustee, custodian, fiscal agent or similar representative solely for the purpose of the issue of securities by the Corporate Reference Entity);

- (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 calendar days thereafter; or
 - (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive).
- (b) **"Failure to Pay"** means, after the expiration of any, applicable (or deemed) Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Corporate Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

"Payment Requirement" means USD 1,000,000 (or the equivalent thereof in the relevant currency or currencies of the Obligation or Obligations in relation to which such Failure to Pay occurs and as of the occurrence of the relevant Failure to Pay) **provided that** with respect to a Corporate Reference Entity in respect of which the Reference Registry records Japan as the country or jurisdiction in which it is organised or has its principal place of business, Payment Requirement means JPY 100,000,000 or USD 1,000,000 (or the equivalent thereof in the relevant currency or currencies of the Obligation or Obligations in relation to which such Failure to Pay occurs and as of the occurrence of the relevant Failure to Pay); and

- (c) **"Obligation Acceleration"** means one or more Obligations in an aggregate amount of not less than the Acceleration Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Corporate Reference Entity that is an Emerging Market Reference Entity.

"Acceleration Default Requirement" means USD 10,000,000 (or the equivalent thereof in the relevant currency or currencies of the Obligation or Obligations in respect of which the Obligation Acceleration occurs and as of the occurrence of the relevant Obligation Acceleration).

For the avoidance of doubt, Obligation Acceleration shall not apply to any Corporate Reference Entity that is not an Emerging Market Reference Entity.

- (d) **"Restructuring"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Corporate Reference Entity or a governmental authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a Corporate Reference Entity or a governmental authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Closing Date and the date as of which such Obligation is issued or incurred: (1) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals; (2) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates; (3) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium; (4) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or (5) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency; **Provided that**, none of the following will constitute a Restructuring: (i) the payment in Euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union; (ii) the occurrence of, agreement to or announcement of any of the events described in (1) to (5) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and (iii) the occurrence of, agreement to or announcement of any of the events described in (1) to (5) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Corporate Reference Entity.

"Permitted Currency" means (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership) or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"Default Requirement" means USD 10,000,000 (or the equivalent thereof in the relevant currency or currencies of the Obligation or Obligations in respect of which the Restructuring occurs and as of the occurrence of the relevant Restructuring); **Provided that**, with respect to a Corporate Reference Entity in respect of which the Reference Registry records Japan as the country or jurisdiction in which it is organised or has its principal place

of business, Default Requirement means JPY 1,000,000,000 or USD 10,000,000 (or the equivalent thereof in the relevant currency or currencies of the Obligation or Obligations in relation to which such Restructuring occurs and as of the occurrence of the relevant Restructuring).

"**JPY**" means the lawful currency of Japan.

Other than in the case of any Corporate Reference Entity in respect of which the Reference Registry records Japan as its country, the occurrence of, agreement to or announcement of any of the events described as Restructuring will not constitute a Restructuring Credit Event unless the Obligation in respect of any such events is a Multiple Holder Obligation.

For the avoidance of doubt, if Restructuring is specified in the Reference Registry not to be applicable (denoted as "No R") to such Corporate Reference Entity, Restructuring of such Corporate Reference Entity or the relevant Obligation(s) thereof will not constitute a Credit Event in respect of such Corporate Reference Entity.

If a Restructuring Credit Event occurs with respect to a Corporate Reference Entity, the Portfolio Swap Counterparty may elect to deliver a Credit Event Notice with respect only to a portion of the Reference Entity Notional Amount of such Corporate Reference Entity for the purposes of any Sub-Portfolio which includes it. In that event the valuation and cash settlement procedures described below will apply to that Corporate Reference Entity and the relevant Sub-Portfolio to the extent of that portion only (a "**Partial Settlement**"). The Corporate Reference Entity will thereafter remain part of the relevant Sub-Portfolio with its Reference Entity Notional Amounts (for the purposes of that Sub-Portfolio) reduced accordingly.

ABS Reference Entity Credit Events

"**ABS Reference Entity Credit Event**" means, the occurrence, with respect to an ABS Reference Entity (other than a Proxy ABS Reference Entity) or the relevant Obligation(s) thereof, as the case may be, of any of the following events.

ABS Failure to Pay

"**ABS Failure to Pay**" means, subject to the Deferment Proviso, either:

- (a) after the expiration of any applicable (or deemed) Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by an ABS Reference Entity to make and, if applicable, any guarantor or insurer of any Obligation of that ABS Reference Entity to make, when and where due and payable, payment (of principal and/or interest) in an aggregate amount (including, without limitation, amounts due upon the Obligation becoming due and payable before they would otherwise have been due and payable as a result of a default, event of default (including bankruptcy or insolvency of the issuer of the Obligation) or other similar event (however described) or any other early redemption or optional termination of an Obligation but excluding any amounts payable pursuant to non-mandatory principal prepayment provisions of the Obligation) equal to or exceeding the ABS Payment Requirement under one or more Obligations; or
- (b) the failure by an ABS Reference Entity to pay in full the principal amount of an Obligation at the earlier of (1) the stated maturity date of such Obligation, and (2) the day on which substantially all of the assets designated to fund the Obligation have been disposed of (whether in accordance with the terms of the Obligation document(s) or otherwise and whether pursuant to a sale or liquidation or otherwise) and all proceeds of those assets have been fully distributed (whether in accordance with the Obligation document(s) or otherwise and whether so distributed to holders of the Obligation or any other person).

"**ABS Payment Requirement**" means USD 10,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the ABS Failure to Pay or Potential Failure to Pay, as applicable.

A failure to pay in respect of an Obligation of an ABS Reference Entity shall not constitute an ABS Failure to Pay if the shortfall in respect of the amount payable thereof is permitted or contemplated by:

- (a) any "available funds cap" (or equivalent) provision of the Obligation which purports, on any payment date, to limit the amount payable in respect thereof to the amount of funds available to or received by the relevant ABS Reference Entity or any trustee or receiver in respect thereof (or, if applicable, the guarantor or insurer of such Obligation) for making such payment; or
- (b) any limited recourse (or equivalent) provision of the Obligation which purports, upon the final realisation of the assets available for making payments in respect of the Obligation and/or any security or collateral relating thereto, to extinguish (in whole or in part) any liability to pay amounts unpaid in respect of an Obligation or to limit the amount payable in respect of an Obligation to the amount of funds or assets available to or received by the relevant ABS Reference Entity or any trustee or receiver in respect thereof (or, if applicable, the guarantor or insurer of such Obligation) for making such payment or to extinguish (in whole or in part) any right to pursue the payment of amounts unpaid in respect of an Obligation due to any insufficiency of such funds or assets.

A failure to pay in respect of an Obligation of an ABS Reference Entity will not constitute an ABS Failure to Pay if, prior to delivering a Credit Event Notice, the Portfolio Swap Counterparty determines that the failure to make such payment will be corrected (with interest) on or before the earlier of the Termination Date and the next scheduled interest payment date of such obligation and is so corrected on or before such date.

Pursuant to the "**Deferment Proviso**" where the terms of an Obligation (in effect as of the later of the Trade Date or the date that the related ABS Reference Entity or ABS Reference Obligation was included in the Reference Portfolio) provide for Interest Deferments (as defined below), any such Interest Deferment made in accordance with such terms will not constitute an ABS Failure to Pay (but may constitute an ABS Deferment Event). For the avoidance of doubt, where such terms do not provide for Interest Deferments, the occurrence of an Interest Deferment may constitute an ABS Failure to Pay.

ABS Deferment Event

"**ABS Deferment Event**" means with respect to an Obligation, the addition of accrued interest to the principal amount of the Obligation, the issuance of an additional security or certificate or the separate recording of interest as capitalised interest, in each case in lieu of a cash payment of interest (an "**Interest Deferment**") where:

- (a) such Interest Deferment continues for two or more consecutive payment periods under the terms of such Obligation; and
- (b) the Independent Verification Agent or an Independent Dealer has determined (1) upon the basis of Periodic Reports and/or any publicly available independent third party written report or published information, (2) assuming (A) that the future rates of repayment, prepayment, delinquency and default in respect of the underlying assets or reference assets of such Obligation shall be equal to such rates determined in respect of the previous three months (which, for the avoidance of doubt, shall be the three months ending on and excluding the latest date (falling not later than the date of determination) for which Periodic Reports or other publicly available information is available to make such determinations), and (B) assuming that future interest rates shall be equal to the relevant prevailing forward rates (as selected by the Independent Verification Agent or an Independent Dealer (as the case may be) acting in a commercially reasonable manner) on any date of determination and (3) taking into account the terms of the Obligation, that it is mathematically certain that reimbursement in full of the payment shortfall before the scheduled termination date of such Obligation will not occur; or
- (c) at such time or in connection with such Interest Deferment, the Moody's Rating of such Obligation is or is reduced to Ca or lower (if such Obligation has a Moody's Rating at such time) or, if such Obligation is not then rated by Moody's, the Fitch Rating of such Obligation is or is reduced to CC or lower (if such Obligation has a Fitch Rating at such time) or, if such Obligation is not then rated by Fitch, the S&P Rating of such Obligation is or is reduced to Ca or lower (if such Obligation has a S&P Rating at such time).

For the avoidance of doubt, the determination in sub-paragraph (b) above that, taking into account the terms of an Obligation, it is mathematically certain that reimbursement in full of the payment shortfall before the scheduled termination date of such Obligation will not occur, shall be made in the absolute discretion of the Independent Verification Agent or Independent Dealer.

ABS Permanent Reduction of Principal

"**ABS Permanent Reduction of Principal**" means the principal balance or principal amount (or the equivalent term as defined in the terms of the Obligation) of any Obligation is reduced by an amount at least equal to EUR 100,000 (or the equivalent thereof in the currency of the Obligation) by the cumulative allocation of one or more loss amounts, or is, in aggregate, reduced to such extent on one or more occasions, otherwise than in connection with a scheduled or non-scheduled payment of principal of such Obligation, (the aggregate amount, in Euro, of such reductions an "**ABS Principal Reduction**"), and:

- (a) the terms of the Obligation do not provide for the reinstatement or reimbursement of such ABS Principal Reduction; or
- (b) the Independent Verification Agent or an Independent Dealer has determined (1) upon the basis of Periodic Reports and/or any publicly available independent third party written report or published information, (2) assuming (A) that the future rates of repayment, prepayment, delinquency and default in respect of the underlying assets or reference assets of such Obligation will be equal to such rates determined in respect of the previous three months (which, for the avoidance of doubt, will be the three months ending on and excluding the latest date (falling not later than the date of determination) for which Periodic Reports or other publicly available information is available to make such determinations), and (B) assuming that future interest rates will be equal to the relevant prevailing forward rates (as selected by the Independent Verification Agent or an Independent Dealer (as the case may be) acting in a commercially reasonable manner) on any date of determination and (3) taking into account the terms of the Obligation, that it is mathematically certain that such principal amount so reduced will not be restored or reinstated in whole or in part; and/or
- (c) at such time or in connection with such ABS Principal Reduction, the Moody's Rating of such Obligation is or is reduced to Ca or lower (if such Obligation has a Moody's Rating at such time) or, if such Obligation is not then rated by Moody's, the Fitch Rating of such Obligation is or is reduced to CC or lower (if such Obligation has a Fitch Rating at such time) or, if such Obligation is not then rated by Fitch, the S&P Rating of such Obligation is or is reduced to CC or lower (if such Obligation has a S&P Rating at such time).

For the avoidance of doubt, the determination in sub-paragraph (b) above as to (1) the principal amount of a reduction and (2) whether it is mathematically certain that such principal amount so reduced will not be restored or reinstated in whole or in part, shall be made in the absolute discretion of the Independent Verification Agent or Independent Dealer.

ABS Bankruptcy

"**ABS Bankruptcy**" means:

- (a) an ABS Reference Entity:
 - (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger or subsequent to the substitution of the issuer as principal obligor);
 - (2) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation, and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained within 30 calendar days of the institution or presentation thereof;
 - (3) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (4) seeks or becomes subject to the appointment of a bankruptcy administrator, provisional liquidator, conservator, receiver or other similar official for it or for all or substantially all its assets (excluding for the avoidance of doubt, the appointment by the ABS Reference Entity of a trustee, custodian, fiscal agent or similar representative solely for the purpose of, or in connection with, the issue of securities by the ABS Reference Entity); or
 - (5) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (4) above (inclusive), and
- (b) the relevant event specified in (a)(1) to (5) (inclusive) gives rise to an event of default (howsoever described) or similar event under the terms of an Obligation thereof that results in the acceleration of amounts outstanding in respect of such Obligation.

ABS Ratings Downgrade Event

"**ABS Ratings Downgrade Event**" means, with respect to an Obligation, that the Moody's Rating of such Obligation is or is reduced to Ca or lower (if such Obligation has a Moody's Rating at such time) or, if such Obligation is not then rated by Moody's but is rated by both Fitch and S&P, the Fitch Rating of such Obligation is or is reduced to CC or lower and the S&P Rating of such Obligation is or is reduced to CC or lower, or if such Obligation only has a Fitch Rating at such time, the Fitch Rating of such Obligation is or is reduced to CC or lower or, if such Obligation only has an S&P Rating at such time, the S&P Rating of such Obligation is or is reduced to CC or lower.

Proxy ABS Reference Entity Credit Event

A "**Proxy ABS Reference Entity Credit Event**" means, the occurrence, with respect to the Proxy ABS Reference Obligation of a Proxy ABS Reference Entity, of a Proxy ABS Loss Event.

"**Proxy ABS Loss Event**" means, in respect of an Eligible Credit Swap Transaction that has been designated the Proxy ABS Reference Obligation of a Proxy ABS Reference Entity, a Credit Event (as defined in the terms of such Eligible Credit Swap Transaction) that constitutes a Permitted Proxy Credit Event (as defined in the terms of the Portfolio Credit Swap) and which would, subject to the satisfaction of any conditions precedent set out in such Eligible Credit Swap Transaction, require Seller (as defined in the terms of such Eligible Credit Swap Transaction) to make a payment of a Cash Settlement Amount (as defined in the terms of such Eligible Credit Swap Transaction, and such amount, upon determination thereof, shall be referred to herein as the "**Proxy ABS Loss Event Settlement Amount**") to Buyer (as defined in the terms of such Eligible Credit Swap Transaction) pursuant to the terms of such Eligible Credit Swap Transaction.

"**Permitted Proxy Credit Event**" means a Credit Event (as defined in the relevant Eligible Credit Swap Transaction) that is identical to or, in the reasonable commercial judgment of the Portfolio Swap Counterparty, substantially the same as the corresponding ABS Reference Entity Credit Event included in the Portfolio Credit Swap.

For the avoidance of doubt, if a Credit Event (as defined in the relevant Eligible Credit Swap Transaction) which is not a Permitted Proxy Credit Event occurs under an Eligible Credit Swap Transaction, such Credit Event will not constitute a Proxy ABS Loss Event for the purpose of the Portfolio Credit Swap and any Cash Settlement Amount (as defined in the terms of such Eligible Credit Swap Transaction) determined in respect thereof under such Eligible Credit Swap Transaction will not constitute a Proxy ABS Loss Event Settlement Amount for the purposes of the Portfolio Credit Swap.

PF Reference Entity Credit Events

A "**PF Reference Entity Credit Event**" means, the occurrence, with respect to the PF Reference Entity or the relevant PF Reference Obligation(s) thereof, as the case may be, of any of the following events.

PF Bankruptcy

A "**PF Bankruptcy**" means:

- (a) with respect to a PF Reference Entity that is a Project Funding Vehicle, such PF Reference Entity:
- (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger or subsequent to the substitution of the issuer as principal obligor);
 - (2) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or a petition is presented for its winding-up or liquidation, and in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained within 30 calendar days of the institution or presentation thereof;
 - (3) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (4) seeks or becomes subject to the appointment of a bankruptcy administrator, provisional liquidator, conservator, receiver or other similar official for it or for all or substantially all its assets (excluding for the avoidance of doubt, the appointment by the PF Reference Entity of a trustee, custodian, fiscal agent or similar representative solely for the purpose of, or in connection with, the issue of securities or the entry into of a project finance loan by the PF Reference Entity); or
 - (5) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (4) above (inclusive), and

the relevant event specified in (a)(1) to (5) (inclusive) gives rise to an event of default (howsoever described) or similar event under the terms of a PF Reference Obligation thereof that results in the acceleration of amounts outstanding in respect of such PF Reference Obligation; or

- (b) with respect to a PF Reference Entity that is a Project Contractor, such PF Reference Entity:
- (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
 - (2) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
 - (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
 - (4) (x) institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, by it or such regulator, supervisor or similar official, or (y) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (i) above and either (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 15 calendar days of the institution or presentation thereof
 - (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
 - (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (excluding for the avoidance of doubt, the appointment by the PF Reference Entity of a trustee, custodian, fiscal agent or similar representative solely for the purpose of the issue of securities by the PF Reference Entity);
 - (7) has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets or has a special purpose entity, appointed by or upon the agreement of a PF Security or Agency Intermediary and/or one or more owners of the PF Reference Obligation, take possession of all or substantially all of its assets and such secured party or other entity maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 calendar days thereafter; or
 - (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive).

PF Failure to Pay

A "**PF Failure to Pay**" means, with respect to a PF Reference Obligation, (a) after the expiration of any applicable (or deemed) Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a PF Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the PF Payment Requirement under the PF Reference Obligation of that PF Reference Entity in accordance with the terms of such

PF Reference Obligation at the time of such failure; and/or (b) the addition of accrued interest to the principal amount of the PF Reference Obligation, the issuance of an additional security or certificate or the separate recording of interest as capitalised interest, in each case in lieu of a cash payment of interest (a "**PF Interest Deferral**") where (i) such PF Interest Deferral was not permitted or contemplated under the terms of such PF Reference Obligation in effect as of the later of the Closing Date and the date as of which such PF Reference Obligation is issued or incurred; and (ii) such PF Interest Deferral continues for two or more consecutive payment periods under the terms of such PF Reference Obligation.

"PF Payment Requirement" means USD 100,000 (or the equivalent thereof in the relevant currency or currencies of the PF Reference Obligation in relation to which such PF Failure to Pay occurs and as of the occurrence of the relevant PF Failure to Pay).

PF Obligation Acceleration

A "**PF Obligation Acceleration**" means a PF Reference Obligation of a PF Reference Entity of an amount not less than the PF Acceleration Default Requirement has become due and payable before it would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described) other than a failure to make any required payment.

"PF Acceleration Default Requirement" means USD 100,000 (or the equivalent thereof in the relevant currency of the PF Reference Obligation in respect of which the PF Obligation Acceleration occurs and as of the occurrence of the relevant PF Obligation Acceleration).

PF Restructuring

"PF Restructuring" means that, with respect to a PF Reference Obligation of a PF Reference Entity and in relation to an aggregate amount of not less than the PF Default Requirement, any one or more of the following events occurs in a form that binds all holders of such PF Reference Obligation, is agreed between the PF Reference Entity or a governmental authority and a sufficient number of holders of such PF Reference Obligation to bind all holders of the PF Reference Obligation or is announced (or otherwise decreed) by the PF Reference Entity or a governmental authority in a form (including, for the avoidance of doubt, a court order or judgment) that binds all holders of such PF Reference Obligation, and such event is not expressly provided for under the terms of such PF Reference Obligation in effect as of the later of the Closing Date and the date as of which such PF Reference Obligation is issued or incurred: (1) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals; (2) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates; (3) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium; (4) a change in the ranking in priority of payment of the PF Reference Obligation, causing the Subordination of such PF Reference Obligation or part thereof to any other PF Reference Obligation; or (5) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency; **Provided that**, none of the following will constitute a Restructuring: (i) the payment in Euro of interest or principal in relation to a PF Reference Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union; (ii) the occurrence of, agreement to or announcement of any of the events described in (1) to (5) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and (iii) the occurrence of, agreement to or announcement of any of the events described in (1) to (5) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the PF Reference Entity.

"PF Default Requirement" with respect to a PF Restructuring Credit Event applicable to a PF Reference Entity, means USD 100,000 (or the equivalent thereof in the relevant currency of the PF Reference Obligation in respect of which the PF Restructuring occurs and as of the occurrence of the relevant PF Restructuring).

Definitions applicable to PF Reference Entity Credit Events

"PF Reference Collateral" means all or any part of any collateral or other security, the rights under direct agreements, collateral warranties, shareholder or sponsor support agreements, the right to receive proceeds following termination of a concession agreement, the right to receive insurance proceeds and any similar or analogous right to any of the above in each case howsoever described, which may from time to time be held or acquired by the relevant PF Lender, an agent bank, a PF Security or Agency Intermediary, a PF Participant or another third party for the benefit of the above persons.

"Related PF Financing Documents" means, in relation to a PF Reference Obligation, the agreements and/or other documents evidencing the transactions contemplated by such PF Reference Obligation.

"Underlying Project Finance Loan" means, in respect of a Project Finance Guarantee Indemnity, a claim, including a partial claim, owed by the PF Reference Entity to or for the benefit of the relevant lender or lenders for the repayment of principal or payment of interest under the project finance loan which is guaranteed and whose guarantee the Project Finance Guarantee Indemnity relates to.

ABS Partial Settlement

Upon the occurrence of an ABS Failure to Pay, an ABS Deferral Event or ABS Ratings Downgrade Event during the term of the Portfolio Credit Swap and the delivery of a Credit Event Notice citing only one or more of such ABS Reference Entity Credit Events then:

- (a) only the Obligation (or each Obligation) in respect of which such ABS Reference Entity Credit Event(s) has occurred (and, if the ABS Reference Entity Credit Event(s) has occurred in respect of a Senior Obligation, each Obligation in respect of which such Senior Obligation constitutes a Qualifying Senior Obligation) shall be the "Affected Obligation" (or "Affected Obligations" as the case may be) with respect to such Credit Event Notice;
- (b) if the Affected Obligation or Affected Obligations of an ABS Reference Entity do not comprise the sole (or, as the case may be, all of the) Obligation(s) of the relevant ABS Reference Entity the rights and obligations of the parties will, with effect from the date such Credit Event Notice is effective (and for the purposes of determining the occurrence of such ABS Reference Entity Credit Event), be construed as if the relevant ABS Reference Entity were two separate ABS Reference Entities, one of which will be deemed to have the Affected Obligation(s) as Obligation(s) which, upon satisfaction of the Conditions to Settlement, will be subject to the cash settlement procedures applicable to the Portfolio Credit Swap, and the other of which will have the remaining Obligation(s) of the relevant ABS Reference Entity which are not the Affected Obligation (or Affected Obligations, as the case may be) and which will continue to exist as part of the Reference Portfolio; and
- (c) the Notifying Party may deliver multiple Credit Event Notices with respect to such ABS Reference Entity if relating to different Affected Obligations,

the application of such provisions being an "**ABS Partial Settlement**".

Conditions to Settlement

If Aggregate Credit Protection Valuations exceed the Global Threshold Amount the Issuer, as the seller of credit protection under the Portfolio Credit Swap, will become liable to make payment of one or more Cash Settlement Amounts to the Portfolio Swap Counterparty.

If a Credit Event occurs with respect to a Reference Entity and a Sub-Portfolio, no Credit Protection Valuation will be determined and thus no Cash Settlement Amounts will be payable in respect of that Credit Event, that Reference Entity and that Sub-Portfolio unless the following conditions (the "**Conditions to Settlement**") have been satisfied:

- (a) a Credit Event Notice is delivered in respect of that Reference Entity and Sub-Portfolio by the Portfolio Swap Counterparty to the Issuer;
- (b) the Credit Event Notice is effective during the Notice Delivery Period;
- (c) the Credit Event Notice is (save in respect of a Partial Principal Loss Claim in respect of which no such 90 day requirement will apply) delivered to the Issuer within 90 calendar days of the Portfolio Swap Counterparty becoming aware of the occurrence of the Credit Event described therein; and
- (d) (save in respect of a PF Reference Entity Credit Event in respect of which no such Notice of Publicly Available Information is required to be delivered) within the Notice Delivery Period or, if later, 20 calendar days of the delivery of the Credit Event Notice, a Notice of Publicly Available Information has been delivered to the Issuer by the Portfolio Swap Counterparty in respect of the relevant Credit Event.

In respect of an Eligible Credit Swap Transaction that has been designated the Proxy ABS Reference Obligation of a Proxy ABS Reference Entity, the Notice of Publicly Available Information Condition to Settlement will be deemed to be satisfied by the Portfolio Swap Counterparty delivering to the Issuer a true copy of a Credit Event Notice (as defined in the terms of such Eligible Credit Swap Transaction and containing a description in reasonable detail of the facts relevant to the determination that a Credit Event (as defined in the terms of such Eligible Credit Swap Transaction) has occurred) delivered pursuant to, and which is effective for the purposes of, such Eligible Credit Swap Transaction.

If a Corporate Reference Entity is included in more than one Sub-Portfolio, the Conditions to Settlement will apply separately with respect to that Corporate Reference Entity for the purposes of each such Sub-Portfolio and may be satisfied by actual or deemed delivery of the relevant notices. A Credit Event Notice or Notice of Publicly Available Information will only be given in respect of the relevant Corporate Reference Entity and each Sub-Portfolio specified therein for that purpose **provided that** if no Sub-Portfolio is specified therein for such purpose, such notice will be deemed to have been given in respect of such Corporate Reference Entity and each Sub-Portfolio which includes that Corporate Reference Entity.

Accordingly a Credit Event Notice and Notice of Publicly Available Information may be delivered in respect of a Corporate Reference Entity and some, but not all, of the Sub-Portfolios which include it.

Definitions applicable to the Conditions to Settlement

"**Credit Event Notice**" means an irrevocable notice that describes a Credit Event that occurred on or after the Closing Date and on or prior to the later of (a) the Termination Date, and (b) if (1) the Credit Event that is the subject of the Credit Event Notice is an ABS Failure to Pay that occurred after the Termination Date and (2) a Potential Failure to Pay with respect to such ABS Failure to Pay occurred on or prior to the Termination Date, the Grace Period Extension Date. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective.

"**Grace Period Business Day**" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the currency of denomination of the relevant Obligation currency.

"Grace Period" means:

- (a) Subject to clauses (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Closing Date and the date as of which such Obligation is issued or incurred;
- (b) in relation to the Obligations of ABS Reference Entities only, if a Potential Failure to Pay has occurred on or prior to the Termination Date and the applicable grace period cannot, by its terms, expire on or prior to the Termination Date, the Grace Period will be deemed to be thirty calendar days (the final day of such period being subject to adjustment in accordance with the Following Business Day Convention); and
- (c) if, at the later of the Closing Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days (or in the case of an Obligation of an ABS Reference Entity, less than thirty calendar days) is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days (or in the case of an Obligation of an ABS Reference Entity, thirty calendar days) will be deemed to apply to such Obligation **provided that** such deemed Grace Period will expire no later than the Termination Date.

"Grace Period Extension Date" means, if a Potential Failure to Pay occurs on or prior to the Termination Date, the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay.

"Market Participant" means a dealer in the credit default swap market selected by the Portfolio Swap Counterparty using reasonable commercial judgement but excluding, for the avoidance of doubt, KBC Bank and its Affiliates unless each Rating Agency has provided written confirmation to the Portfolio Swap Counterparty that its then current rating of the Notes of each Class rated by such Rating Agency would not be adversely affected by such selection.

"Notice Delivery Period" means the period from, and including, the Closing Date to, and including, (a) the Termination Date or (b) if (1) the Credit Event that is the subject of the Credit Event Notice is an ABS Failure to Pay that occurred after the Termination Date, and (2) the Potential Failure to Pay with respect to such ABS Failure to Pay occurred on or prior to the Termination Date, the Grace Period Extension Date.

"Notice of Publicly Available Information" means, an irrevocable notice from the Portfolio Swap Counterparty to the Issuer that cites Publicly Available Information (as such term is defined in the Portfolio Credit Swap) confirming the occurrence of the Credit Event described in the related Credit Event Notice.

"PF Credit Event Confirmation Notice" means, with respect to a PF Reference Obligation, a notice delivered by a PF Security or Agency Intermediary in respect of such PF Reference Obligation confirming or declaring that a default, event of default or other similar condition or event (however described) has occurred with respect to and under the terms of such PF Reference Obligation, where such event would constitute a PF Reference Entity Credit Event under the Portfolio Credit Swap.

"Potential Failure to Pay" means the failure by an ABS Reference Entity (other than a Proxy ABS Reference Entity) to make, when and where due and payable, any payments in an aggregate amount of not less than the ABS Payment Requirement under one or more Obligations without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligation, in accordance with the terms of such Obligation at the time of such failure.

"Termination Date" means the date which is the earliest to occur of (a) the Tax Redemption Date, (b) any date effectively designated under the Portfolio Credit Swap as the Early Termination Date (as such term has the meaning given to it in the Portfolio Credit Swap), (c) the Enforcement Date, (d) the Optional Termination Date and (e) the Scheduled Termination Date.

"Trade Date" means 28 February, 2007.

Cash Settlement and the Global Threshold Amount

Cash Settlement will apply to the Portfolio Credit Swap. A **"Cash Settlement Date"** will occur on each Payment Date upon which a Credit Protection Valuation is eligible for payment. A Credit Protection Valuation will be eligible for payment on the first Payment Date which falls four or more Business Days after the Calculation Verification Date in respect of such Credit Protection Valuation. On each Cash Settlement Date the Issuer may be liable to pay a Cash Settlement Amount to the Portfolio Swap Counterparty.

For so long as Aggregate Credit Protection Valuations as of any Cash Settlement Date do not exceed the Global Threshold Amount, no Cash Settlement Amounts will be payable by the Issuer on such Cash Settlement Date.

"Aggregate Credit Protection Valuations" means, in respect of any Payment Date, an amount denominated in Euro equal to the sum of all Credit Protection Valuations in respect of which a Calculation Verification Date has occurred on or before the fourth Business Day prior to such Payment Date and in respect of any other date, the sum of all Credit Protection Valuations (determined as provided below) in respect of which a Calculation Verification Date has occurred on or before such date.

In respect of any Cash Settlement Date on which Aggregate Credit Protection Valuations are greater than the Global Threshold Amount, the **"Cash Settlement Amount"** payable by the Issuer will be the least of:

- (a) the aggregate amount of Credit Protection Valuations eligible for payment on such date;

- (b) the excess of Aggregate Credit Protection Valuations on such date over the Global Threshold Amount; and
- (c) the Portfolio Credit Swap Notional Amount.

"**Global Threshold Amount**" means EUR 22,500,000.

"**Portfolio Credit Swap Notional Amount**" means, as of any Payment Date, the Adjusted Principal Balance of the Notes plus Cash Reserves as of such date (or, on or after the Enforcement Date, plus Cash Reserves as of the Enforcement Date).

Credit Protection Valuations and Tranche Threshold Amounts

Credit Protection Valuations are the basis upon which any obligation of the Issuer to pay Cash Settlement Amounts will be calculated. For each Reference Entity and Sub-Portfolio in relation to which the Conditions to Settlement are satisfied, the Calculation Agent will determine a Credit Protection Valuation.

A separate Credit Protection Valuation will be determined in respect of a Reference Entity for the purposes of each Sub-Portfolio which includes it (**provided that** the Conditions to Settlement are satisfied with respect to that Reference Entity and that Sub-Portfolio) by reference to the Aggregate Reference Obligation Loss Amount determined in respect of that Reference Entity for the purposes of the relevant Sub-Portfolio and, in the case of an Inner Tranche Reference Entity, the sum of the Aggregate Reference Obligation Loss Amounts previously determined and verified in respect of other Reference Entities in the same Sub-Portfolio (and in respect of which the Conditions to Settlement have been satisfied).

For so long as the sum of the Aggregate Reference Obligation Loss Amounts of all Corporate Reference Entities in the same Inner Tranche Portfolio (and for the purposes of that Sub-Portfolio) is not greater than the Tranche Threshold Amount for that Inner Tranche Portfolio, Credit Protection Valuations in respect of such Sub-Portfolio and the Corporate Reference Entities included therein will be zero. The Tranche Threshold Amount for each Inner Tranche Portfolio may vary and will be as set out in the Reference Registry from time to time. A Tranche Threshold Amount is not applicable with respect to the Direct Portfolio.

In respect of a Sub-Portfolio and Reference Entity in respect of which the Conditions to Settlement are satisfied, a Reference Obligation Loss Amount will be determined for each Reference Obligation designated in respect of such Reference Entity for the purposes of such Sub-Portfolio by reference to the Reference Obligation Notional Amount of each such Reference Obligation (for the purposes of such Sub-Portfolio) and (except in the case of a Partial Principal Loss Claim or in respect of a Fixed Recovery Exposure in respect of which no market valuation of loss is required) to the market valuation of the Final Price obtained in respect of each such Reference Obligation in accordance with valuation procedures described below.

"**Credit Protection Valuation**" means, in relation to the Direct Portfolios, the Direct Portfolio Credit Protection Valuation and, in relation to the Inner Tranche Portfolios, the Inner Tranche Credit Protection Valuation.

The "**Direct Portfolio Credit Protection Valuation**" in respect of a Reference Entity for the purposes of a Direct Portfolio will be (**provided that** the Conditions to Settlement are satisfied with respect to such Reference Entity and such Sub-Portfolio) the Aggregate Reference Obligation Loss Amount for such Reference Entity for the purposes of such Sub-Portfolio.

The "**Inner Tranche Credit Protection Valuation**" in respect of a Corporate Reference Entity for the purposes of an Inner Tranche Portfolio will be (**provided that** the Conditions to Settlement are satisfied with respect to such Corporate Reference Entity and such Sub-Portfolio) the least of:

- (a) the Aggregate Reference Obligation Loss Amount for such Corporate Reference Entity for the purposes of that Sub-Portfolio;
- (b) the greater of (x) zero and (y):
 - (1) the sum of the Aggregate Reference Obligation Loss Amount for such Corporate Reference Entity (for the purposes of such Sub-Portfolio) and all other Aggregate Reference Obligation Loss Amounts previously determined and verified (on or before the relevant date of determination) in respect of other Corporate Reference Entities for the purposes of such Sub-Portfolio; *minus*
 - (2) the Tranche Threshold Amount applicable to such Sub-Portfolio; and
- (c) the greater of (x) zero and (y):
 - (1) the Tranche Thickness Amount of such Sub-Portfolio; *minus*
 - (2) the aggregate amount of each Credit Protection Valuation previously determined and verified (on or before the relevant date of determination) in respect of such Sub-Portfolio.

"**Aggregate Reference Obligation Loss Amount**" means, in respect of a Reference Entity for the purposes of a Sub-Portfolio, the sum of each Reference Obligation Loss Amount determined in respect of each Reference Obligation designated in respect of such Reference Entity for the purposes of such Sub-Portfolio.

"**Reference Obligation Loss Amount**" means:

- (a) in respect of each Corporate Reference Obligation of a Corporate Reference Entity for the purposes of a Sub-Portfolio, the product of the Corporate Reference Obligation Notional Amount of such Corporate Reference Obligation for the purposes of such Sub-Portfolio and the greater of (1) 100% *minus* the Final Price of such Corporate Reference Obligation for the purposes of such Sub-Portfolio and (2) zero;
- (b) in respect of each Reference Obligation of an ABS Reference Entity (other than a Proxy ABS Reference Entity and other than in the circumstances described in (c) or (d) below), the sum of:
 - (1) the product of (A) the ABS Reference Obligation Notional Amount (as of the Latest Reporting Date) *minus* (x) the Distributions Amount and (y) the Principal Writedown Amount applicable thereto, and (B) the greater of (1) 100% *minus* the Final Price of such ABS Reference Obligation and (2) zero; and
 - (2) the Principal Writedown Amount of such ABS Reference Obligation;
- (c) if a Partial Principal Loss Claim based on an ABS Permanent Reduction of Principal is made in respect of an ABS Reference Entity, the Reference Obligation Loss Amount will be the Principal Writedown Amount relating thereto;
- (d) if (i) a Credit Protection Valuation pursuant to an ABS Permanent Reduction of Principal in respect of which part (b) of the definition thereof was applicable has previously been determined and (ii) a subsequent Credit Event Notice cites an ABS Reference Entity Credit Event other than an ABS Permanent Reduction of Principal in respect of which part (a) or (b) of the definition thereof is applicable, the Reference Obligation Loss Amount shall be the product of (A) the ABS Reference Obligation Notional Amount (as of the Latest Reporting Date) *minus* the Distributions Amount applicable thereto, and (B) the greater of (1) 100% *minus* the Final Price of such ABS Reference Obligation and (2) zero; **Provided that**, for the purpose of determining the Final Price of the ABS Reference Obligation in the circumstances contemplated in sub-paragraph (d) above, the Calculation Agent in obtaining Full Quotations will advise the Dealer(s) that the outstanding principal balance of the Reference Obligation should be reduced by an amount equal to any previous ABS Principal Reduction;
- (e) if a Partial Principal Loss Claim based on a Proxy ABS Loss Event is made in respect of a Proxy ABS Reference Entity, the Reference Obligation Loss Amount shall be the lesser of the Proxy ABS Loss Event Settlement Amount and the Proxy ABS Reference Obligation Notional Amount of such Proxy ABS Reference Obligation;
- (f) in respect of each Reference Obligation of a Corporate Reference Entity and a Sub-Portfolio in respect of which a Fixed Recovery Percentage has been designated and, if required a Fixed Recovery Exposure Confirmation has been delivered to the Issuer, the product of the Reference Obligation Notional Amount of such Reference Obligation and the greater of (i) 100% *minus* the Fixed Recovery Percentage of such Corporate Reference Entity for the purposes of such Sub-Portfolio and (ii) zero; and
- (g) in respect of each PF Reference Obligation of a PF Reference Entity, the product of (A) the PF Reference Obligation Notional Amount (as of the Latest Reporting Date) *minus* the PF Distributions Amount, and (B) the greater of (1) 100% *minus* the Final Price of such PF Reference Obligation and (2) zero.

"Distributions Amount" means, as of any date of determination and in respect of an ABS Reference Obligation of an ABS Reference Entity, the product of:

- (a) the ABS Reference Obligation Notional Amount of that ABS Reference Obligation as of the Latest Reporting Date; and
- (b) the quotient (expressed as a percentage) of (1) the sum of any payments of principal which the Calculation Agent is (through Periodic Reports or otherwise) aware have been made since the Latest Reporting Date in respect of the entire principal amount outstanding of the ABS Reference Obligation (as a result of scheduled or accelerated amortisation, acceleration of payment obligations, redemption or otherwise), other than a payment in respect of principal representing capitalised interest, divided by (2) the entire principal amount outstanding of the ABS Reference Obligation as of the Latest Reporting Date.

For the avoidance of doubt, any cash distributions made in respect of any amount which was the subject of an Interest Deferral will not be taken into consideration in determining a Distributions Amount.

"Latest Reporting Date" means, for the purposes of a Credit Protection Valuation in respect of a Reference Obligation, the date falling immediately prior to the occurrence of a Credit Event (or in respect of an ABS Permanent Reduction of Principal, the date falling immediately prior to the first reduction constituting part of the relevant Principal Reduction) in respect of which a Credit Event Notice relating to that Reference Obligation is delivered.

"Principal Writedown Amount" means, as of any date of determination and in respect of an ABS Reference Obligation of an ABS Reference Entity, if an ABS Permanent Reduction of Principal (in respect of which parts (a) or (b) of the definition thereof is applicable but without giving effect to the requirement that aggregate reductions (denominated in the relevant currency of the ABS Reference Obligation) exceed EUR 100,000 (or the Euro Equivalent thereof) has occurred with respect to such ABS Reference Obligation, the product of:

- (a) the ABS Reference Obligation Notional Amount of that ABS Reference Obligation as of the Latest Reporting Date; and

- (b) the quotient (expressed as a percentage) of (1) the aggregate amount of each Principal Reduction applicable since the Latest Reporting Date, in respect of an amount of the entire principal amount outstanding of the ABS Reference Obligation; divided by (2) the entire principal amount outstanding of the ABS Reference Obligation as of the Latest Reporting Date.

"Tranche Thickness Amount" means, with respect to any Inner Tranche Portfolio, EUR 105,000,000.

"Tranche Threshold Amount" means in relation to each Inner Tranche Portfolio and at any time, the amount denominated in Euro identified in the Reference Registry as the "Tranche Threshold Amount" in a column (or table) entitled with the name of such Inner Tranche Portfolio. The Tranche Threshold Amount for each Inner Tranche Portfolio may be varied from time to time in accordance with the provisions relating to a Replacement.

In respect of a Reference Entity and a Sub-Portfolio in respect of which the Conditions to Settlement are satisfied, a Final Price will be determined in accordance with the market valuation or other procedures set out below in respect of each Reference Obligation designated in respect of such Reference Entity for the purposes of such Sub-Portfolio.

Valuation Procedures and Determination of Final Price with respect to Corporate Reference Entities (other than with respect to a Corporate Reference Entity and a Sub-Portfolio constituting a Fixed Recovery Exposure)

Save as provided below, for each Corporate Reference Entity and Sub-Portfolio in respect of which the Conditions to Settlement are satisfied, a price (expressed as a percentage) will be determined, pursuant to the separate application of the following valuation provisions, for each Corporate Reference Obligation of such Corporate Reference Entity designated for the purposes of that Sub-Portfolio (the **"Final Price"** for such Reference Obligation for the purposes of that Sub-Portfolio).

The Final Price of a Corporate Reference Obligation for the purposes of any Sub-Portfolio will be the highest Quotation, expressed as percentage, determined in accordance with the provisions set out below:

The Calculation Agent will attempt to obtain Full Quotations on the Valuation Date from any Eligible Bidder and at least five (or, in the case of Loans, three) Dealers. If two or more Full Quotations are so obtained from Dealers on the Valuation Date, the Final Price will be the higher or highest Quotation obtained on that date (whether obtained from a Dealer or an Eligible Bidder).

If at least two such Full Quotations are not available on the Valuation Date, then, on the fifth calendar day after the Valuation Date or, if such fifth calendar day is not a Valuation Business Day, the first Valuation Business Day thereafter (the **"First Fallback Date"**) the Calculation Agent will attempt to obtain Full Quotations from any Eligible Bidder and at least five (or, in the case of loans, three) Dealers. If two or more Full Quotations are so obtained from Dealers on the First Fallback Date, the Final Price will be the higher or highest Quotation obtained on that date (whether obtained from a Dealer or an Eligible Bidder).

If at least two Full Quotations are not available from Dealers on the First Fallback Date, then the Calculation Agent will on the fifth calendar day after the First Fallback Date or, if such fifth calendar day is not a Valuation Business Day, the first Valuation Business Day thereafter (the **"Second Fallback Date"**), appoint an Independent Valuation Agent to attempt on such Second Fallback Date to obtain Full Quotations or a Weighted Average Quotation from any Eligible Bidder and at least five (or, in the case of loans, three) Dealers. If one or more Quotations are so obtained from Dealers on the Second Fallback Date, the Final Price will be the highest or only Quotation obtained on that date (whether obtained from a Dealer or an Eligible Bidder).

If no Full Quotations or Weighted Average Quotations are obtained from a Dealer or Dealers on the Second Fallback Date, the Final Price will be the weighted average of any firm quotations for the Corporate Reference Obligation obtained from Dealers and/or any Eligible Bidder at the Valuation Time on the Second Fallback Date 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.

For the purposes of valuing a Consent Required Loan the Calculation Agent will request Quotations on the assumption that any consent required to transfer the relevant Loan has been given and having provided to the relevant Dealers, to the extent it is able and has such information readily available to it, the following details regarding the Consent Required Loan: the name of the debtor; the governing law and jurisdiction of the courts ostensibly applicable to it; the existence and nature of any guarantee relating thereto; the existence and nature of any surety relating thereto; a description of the main covenants of the loan; the maturity of the loan and a profile of anticipated amortisation; the interest rate; whether the loan is a revolving or a term loan, and drawn or not, its conditions to transfer and the effective date of the loan. "Firm bids" provided by Dealers with respect to Consent Required Loans will be deemed to include bids which are described by the Dealers as "firm bids but subject to their review of the loan documentation" or which are qualified in a similar way.

The Calculation Agent may rely upon a Quotation received in respect of a Corporate Reference Obligation on a Valuation Business Day for the purposes of determining, on the same Valuation Business Day the Final Price of that Corporate Reference Obligation for the purposes of more than one Sub-Portfolio and will not be obliged to seek separate Quotations for the same Corporate Reference Obligation for each separate application of the valuation procedures on that date under the Portfolio Credit Swap.

Valuation Procedures and Determination of Final Price with respect to ABS Reference Entities (other than Proxy ABS Reference Entities)

The "**Final Price**" of an ABS Reference Obligation of an ABS Reference Entity will be the highest Quotation, expressed as percentage, determined in accordance with the provisions set out below.

The Calculation Agent will attempt to obtain Full Quotations on the Valuation Date from any Eligible Bidder and at least three Dealers.

If any Full Quotation equal to or greater than the Minimum Final Price for the relevant ABS Reference Obligation is obtained from a Dealer on that date the Final Price will be the highest or only Quotation obtained on that date.

If a Final Price is not so determined on the Valuation Date the Calculation Agent shall attempt to obtain Full Quotations on each Minimum Recovery Valuation Date from any Eligible Bidder and at least three Dealers unless and until any Full Quotation equal to or greater than the Minimum Final Price for the relevant Reference Obligation is obtained from a Dealer on a Minimum Recovery Valuation Date in which case the Final Price will be the highest or only Quotation obtained on that date.

If a Final Price is not so determined on or before the final Minimum Recovery Valuation Date the Calculation Agent shall attempt to obtain Full Quotations or a Weighted Average Quotation on each Follow-Up Valuation Date from any Eligible Bidder and at least three Dealers unless and until one or more Full Quotations and/or a Weighted Average Quotation is obtained from a Dealer on a Follow-Up Valuation Date in which case the Final Price will be the highest or only Quotation obtained on that date.

If a Final Price is not so determined on or before the final Follow-Up Valuation Date, the Calculation Agent shall attempt to determine the Final Price by reference to the aggregate portion of the Quotation Amount for which a Weighted Average Quotation was obtained and a quotation of zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day or if no Weighted Average Quotation is obtained on or before the final Follow-Up Valuation Date in respect of any portion of the Quotation Amount, the Final Price will be determined by the Calculation Agent at its reasonable discretion.

Valuation Procedures and Determination of Final Price with respect to PF Reference Entities

The "**Final Price**" of a PF Reference Obligation of a PF Reference Entity will be the highest Quotation, expressed as percentage, or, if applicable, the PF Distributions Percentage or PF Residual Value, determined in accordance with the provisions set out below.

Quotations

For so long as the Work-out Process with respect to the relevant PF Reference Obligation has not been completed the Calculation Agent shall attempt to obtain Full Quotations and/or Weighted Average Quotations as described below.

The Calculation Agent will attempt to obtain Full Quotations on the Valuation Date from any Eligible Bidder and at least three Dealers.

If any Full Quotation equal to or greater than the PF Minimum Final Price for the relevant PF Reference Obligation is obtained from a Dealer on that date the Final Price will be the highest or only Quotation obtained on that date.

If a Final Price is not so determined (or the PF Work-out Process has not completed) on the Valuation Date the Calculation Agent shall attempt to obtain Full Quotations on each Minimum Recovery Valuation Date from any Eligible Bidder and at least three Dealers unless and until any Full Quotation equal to or greater than the PF Minimum Final Price for the relevant PF Reference Obligation is obtained from a Dealer on a Minimum Recovery Valuation Date (or the PF Work-out Process is otherwise completed) in which case the Final Price will be the highest or only Quotation obtained on that date (or, if applicable, the PF Distributions Percentage).

If a Final Price is not so determined (or the PF Work-out Process has not completed) on or before the final Minimum Recovery Valuation Date the Calculation Agent shall attempt to obtain Full Quotations or a Weighted Average Quotation on each Follow-Up Valuation Date from any Eligible Bidder and at least three Dealers unless and until one or more Full Quotations and/or a Weighted Average Quotation is obtained from a Dealer on a Follow-Up Valuation Date (or the PF Work-out Process has not completed) in which case the Final Price will be the highest or only Quotation obtained on that date (or, if applicable, the PF Distributions Percentage).

Appraised Value

If a Final Price is not determined by reference to the Quotations described above (or the PF Work-out Process has not completed) on or before the final Follow-Up Valuation Date, the Calculation Agent will obtain at least two PF Residual Value Reports in respect of such PF Reference Obligation and on the basis thereof determine the Final Price for the PF Reference Obligation (which will be the PF Residual Value (being the expected future recoveries in respect of the relevant PF Reference Obligation as determined by Independent third party experts) (or if the PF Work-out Process has completed prior to the determination of the PF Residual Value, the Final Price will be the PF Distributions Percentage)).

Completion of PF Work-out Process

If at any time after the Event Determination Date and prior to the determination of the Final Price by reference to the market valuation and independent expert appraised valuation provisions described above, the PF Work-out Process in respect of the relevant PF Reference Obligation has been completed, the Portfolio Swap Counterparty is obliged to notify the Calculation Agent in writing of the completion of such PF Work-out Process.

Following receipt of written notification as to the completion of the PF Work-out Process with respect to a PF Reference Obligation, the Calculation Agent will calculate the PF Work-out Loss Percentage and the Final Price (which shall be deemed to be 100% *minus* the PF Work-out Loss Percentage).

Determination of Final Price with respect to Fixed Recovery Exposures

If a Corporate Reference Entity and a Sub-Portfolio is designated as a Fixed Recovery Exposure, the Reference Obligation Loss Amount and thus the Credit Protection Valuation in respect of each Reference Obligation of such Corporate Reference Entity and the relevant Sub-Portfolio will not be determined by reference to the market valuations described above in respect of such Reference Obligation but will instead be determined by reference to the Fixed Exposure Percentage.

If the relevant Credit Event with respect to such Corporate Reference Entity is a Restructuring Credit Event, the Portfolio Swap Counterparty is required to deliver to the Issuer evidence obtained by the Portfolio Swap Counterparty ("**Fixed Recovery Exposure Confirmation**") of at least two credit default swap transactions entered into by two Market Participants as protection buyers and in respect of which:

- (a) such Market Participants have made credit protection claims under such credit default swaps with respect to the occurrence of an event that is identical to or, in the reasonable commercial judgment of the Portfolio Swap Counterparty, substantially the same as the corresponding Restructuring Credit Event specified in the Portfolio Credit Swap; and
- (b) pursuant to the terms of such credit default swaps, the determination of loss with respect to the relevant corresponding reference obligation and reference entity are not made by reference to fixed recoveries.

Subject to the delivery of the Fixed Recovery Exposure Confirmation, a Credit Protection Valuation may be submitted forthwith by the Calculation Agent to the Independent Verification Agent for verification.

Alternative Valuation Procedures for Partial Principal Loss Claims with respect to ABS Reference Entities (including Proxy ABS Reference Entities)

In the event that (i) a Proxy ABS Loss Event or (ii) an ABS Permanent Reduction of Principal (in respect of which only part (a) or part (b) of the definition thereof is applicable) is the only Credit Event cited in a Credit Event Notice (a "**Partial Principal Loss Claim**") in respect of the Proxy ABS Reference Obligation of a Proxy ABS Reference Entity or an ABS Reference Entity (as the case may be), the above valuation procedures will not apply and, subject, in the case of a Proxy ABS Loss Event, to written confirmation of the Calculation Agent (as defined in the terms of the relevant Eligible Credit Swap Transaction) of the relevant Eligible Credit Swap Transaction of the amount of the Proxy ABS Loss Event Settlement Amount being provided by the Portfolio Swap Counterparty to the Issuer, the Administrator and the Note Trustee, any calculation of a Credit Protection Valuation may be submitted forthwith by the Calculation Agent to the Independent Verification Agent for verification.

Upon any Cash Settlement Date upon which any Credit Protection Valuation in respect of an ABS Reference Entity and a Partial Principal Loss Claim is eligible for payment:

- (a) the ABS Reference Obligation Notional Amount of each relevant ABS Reference Obligation will be reduced by the Reference Obligation Loss Amount applicable thereto, and
- (b) unless the Reference Entity Notional Amount of the relevant ABS Reference Obligation is thereby reduced to zero, such ABS Reference Entity will not be removed from the Reference Portfolio.

In the event that a Credit Event Notice cites an ABS Permanent Reduction of Principal (in respect of which parts (a) or (b) of the definition thereof is applicable) and in addition thereto any other Credit Event (including an ABS Permanent Reduction of Principal in respect of which part (c) of the definition thereof is applicable), that Credit Event Notice will be treated as two separate Credit Event Notices, the first relating to the ABS Permanent Reduction of Principal (in respect of which parts (a) or (b) of the definition thereof is applicable) and the second to the other Credit Events. The first Credit Event Notice will be treated as a Partial Principal Loss Claim in accordance with the 'Alternative Valuation Procedures applicable to Partial Principal Loss Claims' above. For the purposes of the Cash Settlement of the second Credit Event Notice the ABS Reference Obligation Notional Amount of the relevant ABS Reference Obligation will be such amount as adjusted to account for the Partial Principal Loss Claim of the first Credit Event Notice and such cash settlement procedure will not take into account any Principal Reductions claimed pursuant to the first Credit Event Notice.

Definitions applicable to the Valuation Procedures

"Dealers" means any of the institutions (or any of their affiliates, or in either case any successor thereof), none of which are to be affiliated with the Portfolio Swap Counterparty, the Issuer or KBC Bank, specified in one or more lists of dealers set out in the Portfolio Credit Swap (as amended from time to time pursuant to the terms thereof).

"Distributions Percentage" means, as of any date of determination and in respect of an ABS Reference Obligation of an ABS Reference Entity, the quotient (expressed as a percentage) of (a) the sum of any principal amounts which the Calculation Agent is (through Periodic Reports or otherwise) aware have been repaid or recovered, since the Latest Reporting Date, in respect of the entire principal amount outstanding of such ABS Reference Obligation (as a result of scheduled or accelerated amortisation, acceleration of payment obligations, redemption or otherwise), other than a payment in respect of principal representing capitalised interest divided by (b) the entire principal amount outstanding of such ABS Reference Obligation as of the Latest Reporting Date. For the avoidance of doubt, any cash distributions made in respect of any amount which was the subject of an Interest Deferral will not be taken into consideration in determining a Distributions Percentage.

"Eligible Bidder" means with respect to any Valuation Date each party, if any, that the Portfolio Swap Counterparty designates as such, by notice to the Calculation Agent.

"Follow-Up Valuation Date" means, if the Valuation Date falls:

- (a) on or prior to the Payment Date scheduled to fall in October, 2037, the second anniversary of the Valuation Date (or, if such second anniversary date is not a Valuation Business Day, the first Valuation Business Day thereafter), and each of: (i) the first Valuation Business Day falling ten or more calendar days immediately thereafter (the **"First Follow-Up Valuation Business Day"**); (ii) the first Valuation Business Day falling ten or more calendar days after the First Follow-Up Valuation Business Day (the **"Second Follow-Up Valuation Business Day"**); and (iii) the first Valuation Business Day falling ten or more calendar days after the Second Follow-Up Valuation Business Day; or
- (b) after the Payment Date scheduled to fall in October, 2037, the Payment Date scheduled to fall in October, 2039 (or, if such date is not a Valuation Business Day, the first Valuation Business Day thereafter), and each of: (i) the first Valuation Business Day falling ten or more calendar days immediately thereafter, (the **"First Follow-Up Valuation Business Day"**); (ii) the first Valuation Business Day falling ten or more calendar days after the First Follow-Up Valuation Business Day (the **"Second Follow-Up Valuation Business Day"**); and (iii) the first Valuation Business Day falling ten or more calendar days after the Second Follow-Up Valuation Business Day.

"Full Quotation" means, in respect of a Reference Obligation, each firm bid quotation (expressed as a percentage) obtained from a Dealer or an Eligible Bidder at or about the Valuation Time, to the extent reasonably practicable, for an amount of that Reference Obligation with an outstanding principal amount or due and payable amount equal to the Quotation Amount.

"Independent Valuation Agent" means any dealer of recognised standing in the market for obligations of the type of the relevant Reference Obligation which may be a Dealer, which is selected by the Calculation Agent and which is not affiliated with the Portfolio Swap Counterparty or the Calculation Agent.

"Independent Verification Agent" means (a) Ernst & Young, (b) such other firm of independent accountants of internationally recognised standing as may be selected by the Portfolio Swap Counterparty from time to time for the purposes of the Portfolio Credit Swap or (c) such other independent third party as the Portfolio Swap Counterparty may select from time to time for the purposes of the Portfolio Credit Swap, **provided that** each Rating Agency has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by such Rating Agency would not be adversely affected by such independent third party selection.

"Liquid ABS Reference Obligation" means any Asset Backed Security:

- (a) issued by an ABS Reference Entity (other than a Proxy ABS Reference Entity) that, in the reasonable commercial judgment of the Portfolio Swap Counterparty, is (A) primarily serviced by the cash flows of a portfolio of receivables falling within one of the categories set out in the "Liquid Asset Type" table below, and (B) part of the senior-most funded tranche or, in the case of "ABS – European Consumer Loans" only, part of the unfunded super-senior tranches, issued by such ABS Reference Entity;
- (b) that, in the reasonable commercial judgment of the Portfolio Swap Counterparty, is guaranteed or issued by a government of an Eligible Country;
- (c) in respect of which, in the reasonable commercial judgment of the Portfolio Swap Counterparty, the issuer thereof funds all of its payment obligations from:
 - (A) the premium received by such issuer on one or more credit default swap transactions linked to one or more static underlying portfolios of debt securities of corporate entities; or
 - (B) the cash flow received by such issuer from one or more credit derivative transactions linked to one or more static notional portfolios of debt securities of corporate entities and from a repurchase agreement, sovereign debt or other highly rated securities purchased with the proceeds from such security; or

- (d) that has such other characteristics as the Portfolio Swap Counterparty and Moody's may agree in writing from time to time.

Liquid Asset Type:

ABS - Auto Loan and Personal Lease (but excluding securitisations of sub-prime assets)

CBOs/CLOs – Cash Flow Corporate

ABS - CMBS – all categories

ABS - Credit Card (but excluding securitisations of sub-prime assets)

ABS – European Consumer Loans

ABS – Home Equity Loan

ABS - RMBS – all categories

ABS - REITs – all categories

ABS - Student Loans (but excluding securitisations of sub-prime assets)

"Minimum Final Price" means with respect to:

- (a) any Liquid ABS Reference Obligation of an ABS Reference Entity and any date of determination, a Quotation (expressed as a percentage) which, when (i) multiplied by the sum of 100% minus the Distributions Percentage and then (ii) added to the Distributions Percentage, equals or exceeds the Moody's ABS Applicable Recovery Rate for that Liquid ABS Reference Obligation **Provided that** if the Principal Writedown Amount of such Liquid ABS Reference Obligation is equal to the ABS Reference Obligation Notional Amount thereof, the Minimum Final Price for that Liquid ABS Reference Obligation shall be zero; and
- (b) any ABS Reference Obligation of an ABS Reference Entity other than a Liquid ABS Reference Obligation and any date of determination, a Quotation (expressed as a percentage) which, when (i) multiplied by the sum of 100% minus the Distributions Percentage and then (ii) added to the Distributions Percentage, equals or exceeds the product of (1) the Moody's ABS Applicable Recovery Rate for that ABS Reference Obligation, and (2) 90%, **Provided that** if the Principal Writedown Amount of such ABS Reference Obligation is equal to the ABS Reference Obligation Notional Amount thereof, the Minimum Final Price for that ABS Reference Obligation shall be zero.

"Minimum Quotation Amount" means the lower of (a) EUR 1,000,000 (or the equivalent thereof in the relevant currency of the relevant Reference Obligation) and (b) the Quotation Amount.

"Minimum Recovery Valuation Date" means, if the Valuation Date falls:

- (a) on or prior to the Payment Date scheduled to fall in October, 2037, each 30th calendar day (or, if such day is not a Valuation Business Day, the first Valuation Business Day thereafter) falling after the Valuation Date and prior to the second anniversary of the Valuation Date; or
- (b) after the Payment Date scheduled to fall in October, 2037, each 30th calendar day (or, if such day is not a Valuation Business Day, the first Valuation Business Day thereafter) falling after the Valuation Date and prior to the Payment Date scheduled to fall in October, 2039.

"Outstanding Portfolio Notional Amount" means as of any date, the sum of (a) the Maximum Direct Portfolios Size, plus (b) the sum of the Tranche Thickness Amount of each Inner Tranche Portfolio minus the aggregate amount of Credit Protection Valuations determined and verified in respect of the Inner Tranche Portfolios.

"PF Distributions Amount" means, as of any date of determination and in respect of a PF Reference Obligation of a PF Reference Entity, the product of:

- (a) the PF Reference Obligation Notional Amount of that PF Reference Obligation as of the Latest Reporting Date; and
- (b) the quotient (expressed as a percentage) of (i) the sum of any payments of principal which the Calculation Agent is (through Periodic Reports or otherwise) aware have been made or accounted for since the Latest Reporting Date in respect of the entire principal amount outstanding of the PF Reference Obligation (as a result of the application of PF Reference Obligation Recoveries, scheduled or accelerated amortisation, acceleration of payment obligations, repayment or otherwise), other than a payment in respect of principal representing capitalised interest, divided by (ii) the entire principal amount outstanding of the PF Reference Obligation as of the Latest Reporting Date.

"PF Distributions Percentage" means, as of any date of determination and in respect of a PF Reference Obligation of a PF Reference Entity, the quotient (expressed as a percentage) of (a) the sum of any principal amounts which the Calculation Agent is (through Periodic Reports or otherwise) aware have been repaid or recovered, since the Latest Reporting Date, in respect of the entire principal amount outstanding of such PF Reference Obligation (as a result of the application of PF

Reference Obligation Recoveries, scheduled or accelerated amortisation, acceleration of payment obligations, repayment or otherwise), other than a payment in respect of principal representing capitalised interest; divided by (b) the entire principal amount outstanding of such PF Reference Obligation as of the Latest Reporting Date. For the avoidance of doubt, any cash distributions made in respect of any deferred interest (arising as a result of the addition of accrued interest to the principal amount of the PF Reference Obligation, the issuance of an additional security or the separate recording of interest as capitalised interest or otherwise, in each case in lieu of a cash payment of interest) will not be taken into consideration in determining a PF Distributions Percentage.

"PF Independent Expert" means an independent expert who is a member of the Royal Institute of Chartered Accountants appointed by the Calculation Agent to determine any future PF Reference Obligation Recoveries in respect of a PF Reference Obligation pursuant to the Portfolio Credit Swap but which is not an Affiliate or related party of either the Portfolio Swap Counterparty, any PF Lender, the Issuer or the Note Trustee.

"PF Minimum Final Price" means with respect to any PF Reference Obligation of a PF Reference Entity and any date of determination, a Quotation (expressed as a percentage) which, when (i) multiplied by the sum of 100% *minus* the PF Distributions Percentage and then (ii) added to the PF Distributions Percentage, equals or exceeds the Moody's PF Applicable Recovery Rate for that PF Reference Obligation.

"PF Reference Obligation Recoveries" means, with respect to a PF Reference Obligation, the aggregate of:

- (a) any payments of principal made by or on behalf of the obligor of the PF Reference Obligation or accounted for since the Latest Reporting Date thereof;
- (b) any amounts in respect of which the PF Lender has successfully exercised against the relevant obligor a right of set-off against losses on such PF Reference Obligation; and
- (c) the proceeds from the enforcement of the PF Reference Collateral allocated to such PF Reference Obligation or any other payments or proceeds of claims in respect of the PF Reference Obligation (irrespective of the legal structure such PF Reference Obligation may have following a restructuring) received by the PF Lender in respect of principal amounts outstanding thereunder.

"PF Residual Value" means, with respect to a PF Reference Obligation, the aggregate of the PF Reference Obligation Recoveries expected to arise after the date on which the PF Work-Out Loss Percentage for such PF Reference Obligation is calculated.

"PF Residual Value Report" means, in respect of a PF Reference Obligation, a written report issued by a PF Independent Expert, which confirms, on the basis of information supplied by the Calculation Agent, the Portfolio Swap Counterparty or otherwise, the PF Residual Value with respect to such PF Reference Obligation.

"PF Servicer" means, with respect to a PF Reference Obligation, the PF Lender in its capacity as servicer thereof or, if applicable, any other entity responsible for servicing the PF Reference Obligation on behalf of the PF Lender.

"PF Work-out Loss Percentage" in respect of a PF Reference Obligation, means 100% *minus* the relevant PF Distributions Percentage **provided that** the PF Distributions Percentage will be determined as at the date that the PF Work-out Process is completed.

"PF Work-out Process" means with respect to a PF Reference Obligation, the recovery process undergone by a PF Servicer with respect to such PF Reference Obligation after which such PF Servicer has retained or received on account of the PF Lender all principal amounts repaid or distributed with respect to such PF Reference Obligation and allocable to the principal balance or principal amount outstanding of such PF Reference Obligation to which the PF Lender is exposed (either by means of exercising any set-off rights with respect to the PF Reference Obligation or obtaining any sale proceeds or other amounts resulting from the enforcement of any relevant PF Reference Collateral).

"Quotation" means each Full Quotation and the Weighted Average Quotation obtained pursuant to the valuation procedures described above and expressed as a percentage.

"Quotation Amount" means:

- (a) with respect to a Corporate Reference Entity in respect of which the Reference Registry records Australia, Bermuda, Brazil, Canada, Chile, Hong Kong, Japan, Malaysia, Mexico, New Zealand, Philippines, Russia, Singapore, South Korea, Taiwan or the United States of America as the country or jurisdiction in which it is organised or has its principal place of business, USD 5,000,000; **Provided that** if the Corporate Reference Obligation Notional Amount of the relevant Corporate Reference Obligation of such a Corporate Reference Entity is less than USD 5,000,000, "Quotation Amount" means the greater of (i) such Corporate Reference Obligation Notional Amount and (ii) USD 1,000,000;
- (b) with respect to a Corporate Reference Entity in respect of which the Reference Registry records the country or jurisdiction in which it is organised or has its principal place of business as a country or jurisdiction other than a country or jurisdiction referred to in sub-paragraph (a) above, EUR 5,000,000; **Provided that** if the Corporate Reference Obligation Notional Amount of the relevant Corporate Reference Obligation of such a Corporate Reference Entity is less than EUR 5,000,000, "Quotation Amount" means the greater of (i) such Corporate Reference Obligation Notional Amount and (ii) EUR 1,000,000;

- (c) in any case and at the discretion of the Calculation Agent, the equivalent of the amount otherwise applicable under (a) or (b) above in the currency of the relevant Corporate Reference Obligation;
- (d) with respect to an ABS Reference Obligation of an ABS Reference Entity, the relevant Reference Obligation Notional Amount;
- (e) with respect to a PF Reference Obligation of a PF Reference Entity, the relevant Reference Obligation Notional Amount; and
- (f) with respect to a PF Reference Obligation of a PF Reference Entity, the relevant Reference Obligation Notional Amount.

"S&P Rating" means (a) with respect to a corporate entity or its obligations, if there is a corporate issuer credit rating of such entity published by S&P, the most current corporate issuer credit rating for such corporate entity; and (b) in respect of an asset backed debt obligation, if there is a rating published by S&P of such asset backed debt obligation, the most current rating for such asset backed debt obligation; **Provided that**, in the case of both (a) and (b) above (but other than for the purposes of determining the occurrence of an ABS Reference Entity Credit Event where, for the avoidance of doubt, reference shall only be had to ratings published by S&P), in the absence of such a published rating and at the option of the Portfolio Swap Counterparty, **"S&P Rating"** shall mean an equivalent form of rating published by S&P in respect of such entity or its obligations as selected by the Portfolio Swap Counterparty in its absolute discretion.

"Valuation Business Day" means a Business Day on which commercial banks and foreign exchange markets are also generally open to settle payments in the Relevant Market Place of the obligation being valued.

"Valuation Date" means with respect to:

- (a) a Corporate Reference Entity, the 60th calendar day after the relevant Event Determination Date or, if such 60th calendar day is not a Valuation Business Day, the first Valuation Business Day thereafter;
- (b) an ABS Reference Entity, the 30th calendar day after the relevant Event Determination Date or, if such 30th calendar day is not a Valuation Business Day, the first Valuation Business Day thereafter;
- (c) a Corporate Reference Entity and a Sub-Portfolio constituting a Fixed Recovery Exposure, any day falling after the Event Determination Date and on or before the date falling 5 or more Business Days before the immediately succeeding or, as appropriate, next, following Payment Date; and
- (d) a PF Reference Entity, the 30th calendar day after the relevant Event Determination Date or, if such 30th calendar day is not a Valuation Business Day, the first Valuation Business Day thereafter.

"Valuation Time" means 11:00 a.m. in the place of the principal trading market for the Reference Obligation (the **"Relevant Market Place"**), as determined by the Calculation Agent.

"Weighted Average Quotation" means the weighted average of firm bid quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an outstanding principal balance of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in the aggregate are approximately equal to the Quotation Amount.

Calculation Verification

Upon determination of a Credit Protection Valuation the Calculation Agent will submit details of its calculations and, if available, evidence of the Quotations received in respect of such Credit Protection Valuation to the Independent Verification Agent. The Independent Verification Agent will be required to produce a report (a **"Calculation Verification Report"**) verifying, to the extent such matters can be objectively verified, on the basis of information supplied by the Calculation Agent, the Portfolio Swap Counterparty or otherwise:

- (a) the amount of such Credit Protection Valuation, each Reference Obligation Loss Amount and the Aggregate Reference Obligation Loss Amount used to make such determination, that appropriate procedures and methodology were used in accordance with the provisions of the Portfolio Credit Swap to make such determination, that Dealers anticipated by the list of dealers set out in the Portfolio Credit Swap, as amended (and, at the election of the Portfolio Swap Counterparty, any Eligible Bidders) were asked for Quotations and, if any such Quotations were obtained, the amount of each such Quotation;
- (b) that the relevant Reference Entity was included in the Reference Registry and in the relevant Sub-Portfolio on or prior to the date of the relevant Credit Event; and
- (c) that, if the Reference Entity to which the relevant Credit Event Notice relates (or the relevant Reference Entity Notional Amount thereof for the purposes of the relevant Sub-Portfolio) was the subject of a Replacement for the purposes of the relevant Sub-Portfolio, such Replacement was made in accordance with the Trading Guidelines.

"Calculation Verification Date" in respect of a Credit Protection Valuation means the date that the Calculation Agent receives a copy of the Calculation Verification Report relating thereto.

Notification of Credit Protection Valuations and Cash Settlement Amounts

The Calculation Agent will notify the Portfolio Swap Counterparty, the Issuer, the Administrator, each Rating Agency and the Note Trustee in writing of any Credit Protection Valuation determined and verified in respect of a Reference Obligation as promptly after (and in any event within three Business Days of) receipt of a Calculation Verification Report in respect thereof. The Calculation Agent will provide each of the Rating Agencies with a copy of each Calculation Verification Report.

The Calculation Agent will further notify the Portfolio Swap Counterparty, the Issuer, the Administrator, the Registrar, each Rating Agency and the Note Trustee in writing of any Cash Settlement Amount (greater than zero) determined in respect of a Payment Date, promptly after determination thereof.

Except in the case of an exercise of a Partial Settlement or an ABS Partial Settlement and other than in respect of a Partial Principal Loss Claim (in which case such removal will only apply to the settled portion thereof), any Reference Entity in relation to which a Credit Event has occurred will, upon the Calculation Verification Date relating thereto, be removed from the Reference Portfolio and, thereafter, that Reference Entity will not be eligible for inclusion in the Reference Portfolio by way of Replacement unless such Reference Entity subsequently satisfies the Entity Criteria.

Portfolio Credit Swap Premium

As the buyer of credit protection, the Portfolio Swap Counterparty will make periodic payments of the Portfolio Credit Swap Premium to the Issuer.

Portfolio Credit Swap Premium will be payable on the Closing Date and each Payment Date falling on or prior to the Cash Settlement Date on which all positive Cash Settlement Amounts payable or potentially payable pursuant to the Portfolio Credit Swap have been paid.

"Portfolio Credit Swap Premium" means, in respect of any Payment Date (and the Closing Date), an amount, denominated in Euro, determined by the Calculation Agent to be the sum of:

- (a) an amount equal to the sum of each Covered Expense arising under the Transaction Documents (or, if denominated in a currency other than euro, the Euro Equivalent thereof) as of such date *plus* the Issuer's Transaction Fee, if any, due on that date;
- (b) if such date is
 - (1) the Closing Date or an Interest Payment Date (other than the Interest Payment Date scheduled to fall in January, 2038), an amount, denominated in Euro, equal to the product of (x) (the Advance Payment Amount) and (y) 2;
 - (2) the Interest Payment Date scheduled to fall in January, 2038, the Advance Payment Amount; and
- (c) the Excess Amount (if any); *less*
- (d) the Premium Reimbursement Amount.

If the aggregate Interest Amount payable in respect of the Notes on any Payment Date (the **"Relevant Payment Date"**) exceeds the sum of the Advance Payment Amount paid on the preceding Payment Date and the Collateral Income Proceeds paid to the Issuer in respect of the Interest Period ending on the Relevant Payment Date, the Portfolio Credit Swap Premium will on that Payment Date be deemed to include an additional amount equal to such excess.

Definitions applicable to the determination of Portfolio Credit Swap Premium

"Advance Payment Amount" means in respect of any Interest Payment Date and the Closing Date, an amount, denominated in Euro, equal to:

- (a) the Anticipated Aggregate Interest Amount in respect of such Interest Payment Date or Closing Date (as the case may be); *minus*
- (b) the amount determined by the Calculation Agent, after consultation with the Account Bank, the GIC Provider, any other Applicable Collateral Counterparty and the Administrator to be the Collateral Income Proceeds anticipated to be paid to the Issuer on or before the next Interest Payment Date.

"Anticipated Aggregate Interest Amount" means in respect of any Interest Payment Date and the Closing Date, an amount, denominated in Euro, equal to the aggregate Interest Amount anticipated by the Calculation Agent, after consultation with the Agent Bank, to be due in respect of the Notes on the next following Interest Payment Date.

"Covered Expenses" in respect of any Payment Date (or the Closing Date, as the case may be) means the Expenses of which the Calculation Agent and the Portfolio Swap Counterparty are, after consultation with the Administrator or following written notification thereof to each such party by the Administrator, informed, as of the fourth Business Day preceding such Payment Date (or before the Closing Date, as the case may be) are due or are anticipated by the Administrator to fall due to be paid by the Issuer on or prior to the next succeeding Payment Date or which have become due and payable and were not previously funded.

"**Currency Rate**" means, for any currency, the conversion rate determined for that currency pursuant to the Agency Agreement.

"**Euro Equivalent**" means in respect of any non-euro currency amount, such amount converted into euro at the applicable Currency Rate.

"**Excess Amount**" means an amount equal to the excess (if any) by which the aggregate Interest Amount payable in respect of the Notes on any Payment Date (the "**Relevant Payment Date**") exceeds the sum of the Advance Payment Amount paid on the preceding Payment Date plus the Collateral Income Proceeds paid to the Issuer in respect of the Interest Period ending on the Relevant Payment Date.

"**Premium Reimbursement Amount**" means, in respect of any Interest Payment Date, an amount, denominated in Euro, equal to the sum of:

- (a) the amount by which the amount paid in respect of Covered Expenses on the preceding Interest Payment Date or the Closing Date (as the case may be) exceeds the actual Expenses which fell due on or prior to such Interest Payment Date; and
- (b) the Advance Payment Amount included in the calculation of the Portfolio Credit Swap Premium in respect of the preceding Interest Payment Date or Closing Date (as the case may be).

Cash Reserve Amount

On the Closing Date and each Payment Date falling prior to the earlier of (a) the Payment Date scheduled to fall in April, 2012 and (b) the Termination Date, the Portfolio Swap Counterparty will also pay the Cash Reserve Amount to the Issuer under the Portfolio Credit Swap.

"**Cash Reserve Amount**" means, for each Payment Date (or the Closing Date as the case may be) falling prior to the earlier of (a) the Payment Date scheduled to fall in April, 2012 and (b) the Termination Date, save as provided below, the Scheduled Cash Reserve Amount for such date.

"**Scheduled Cash Reserve Amount**" means, for any Payment Date (or the Closing Date as the case may be), an amount, denominated in Euro, equal to the product of (a) the Initial Reference Portfolio Size, (b) 0.25% and (c) the actual number of days in the Interest Period commencing on or about such Payment Date divided by 360, **provided that**, if on any Payment Date, Aggregate Credit Protection Valuations as of the preceding Payment Date exceed the sum of the Global Threshold Amount and the sum of each Cash Settlement Amount paid on or prior to such preceding Payment Date (such excess, the "**Uncovered Loss Amount**"), the Portfolio Swap Counterparty will withhold all or part of the Scheduled Cash Reserve Amount otherwise payable on such Payment Date (**provided that** the aggregate amounts so withheld by the Portfolio Swap Counterparty on or before that Payment Date may not exceed the Uncovered Loss Amount) and the Cash Reserve Amount for such Payment Date will be deemed to be adjusted accordingly.

Reference Registry Reporting

Quarterly Reference Registry Confirmation Report

During each Interest Period commencing on or prior to the earlier of the Scheduled Amortisation Commencement Date and the Termination Date (a) the Portfolio Swap Counterparty will procure that a review of the Reference Registry and the information provided in relation to the Reference Registry will be made by the Independent Confirmation Agent and (b) the Independent Confirmation Agent will produce a report (the "**Quarterly Reference Registry Confirmation Report**") certifying as to the extent of the compliance of the Reference Portfolio with the Reference Portfolio Criteria and, in respect of any Replacements made in the preceding Interest Period, with the Trading Guidelines (including the application of the Moody's Trading Model in accordance with the guidelines applicable thereto).

In the case of any uncertainty or inconsistency in the application of the Moody's Trading Model or of any guideline thereof, the interpretation of the Portfolio Swap Counterparty, provided to the Independent Confirmation Agent in writing by the Portfolio Swap Counterparty, will apply for the purposes of the Portfolio Credit Swap, **provided that** Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected by such interpretation.

Upon the production thereof, the Portfolio Swap Counterparty will deliver a copy of the Quarterly Reference Registry Confirmation Report to the Issuer, the Calculation Agent, the Administrator, each Rating Agency and the Note Trustee.

Save as may be expressly provided otherwise, if the Conditions to Settlement have been satisfied in respect of a Reference Entity and a Sub-Portfolio, determinations as to compliance with the Reference Portfolio Criteria for the purposes of Quarterly Reference Registry Confirmation Reports and/or any Replacement will be made (subject to the application of a Partial Settlement, an ABS Partial Settlement or a Partial Principal Loss Claim) on the basis that such Reference Entity will be deemed not to constitute part of that Sub-Portfolio and, until the Cash Settlement Date applicable thereto (a) the Maximum Sub-Portfolio Size of that Sub-Portfolio and (b) if such Reference Entity was an ABS Reference Entity or a Corporate Direct Portfolio Reference Entity, the Maximum Direct Portfolios Size, shall be deemed to have been reduced accordingly.

The Portfolio Swap Counterparty will not be obliged to remove a Reference Entity from the Reference Portfolio (or any Sub-Portfolio thereof) if either it or the Reference Portfolio falls out of compliance with the Reference Portfolio Criteria (after the inclusion of such entity pursuant to a Replacement in accordance with the Trading Guidelines). The non-compliance of the Reference Portfolio with the Reference Portfolio Criteria at any time may however restrict the ability of the Portfolio Swap Counterparty to make Replacements at such time as per the provisions of the Trading Guidelines.

Independent Reference Registry Confirmation Report

The Portfolio Swap Counterparty and/or the Issuer will procure that the Independent Confirmation Agent verifies, for the purposes of each Replacement, the accuracy of the objective information with respect to the Reference Registry and any proposed new Reference Entities used for the purpose of the Moody's Trading Model Test and of the objective information added to the Reference Registry pursuant to such Replacement, to the extent that such information can be verified by the Independent Confirmation Agent from the website of Moody's and/or from information otherwise provided directly by Moody's and/or from the website of Fitch and/or from information otherwise provided directly by Fitch and/or from the website of S&P and/or from information otherwise provided directly by S&P. These websites do not form part of the Prospectus for the purpose of approval of the Prospectus and the listing of the Notes.

The Issuer and/or the Portfolio Swap Counterparty will further procure that, after each such verification, the Independent Confirmation Agent will, in writing, confirm (such confirmation, the "**Independent Reference Registry Confirmation Report**") the extent of the accuracy of such objective information so verified and, as soon as reasonably practicable thereafter, that a copy of such Independent Reference Registry Confirmation Report is provided to each Rating Agency, the Portfolio Swap Counterparty, the Issuer, the Calculation Agent, the Administrator and the Note Trustee.

Without prejudice to the provisions described under "*Latent Data Defects*" above, such verification by an Independent Confirmation Agent will not constitute conclusive evidence of the compliance of any Replacement with the Trading Guidelines.

"**Independent Confirmation Agent**" means, as at the Closing Date, The Bank of New York, acting through its principal office in the United Kingdom, which has, pursuant to the Swap Agency Agreement, agreed to perform this role in respect of the Portfolio Credit Swap and which expression includes all persons for the time being appointed as independent confirmation agent under the Swap Agency Agreement and any successor in title (as such term is defined in the Conditions) thereto.

From time to time the Issuer, may, with the prior written approval of the Portfolio Swap Counterparty, or will, if so directed by the Portfolio Swap Counterparty, replace the Independent Confirmation Agent for the purposes of the Portfolio Credit Swap and the Swap Agency Agreement with another independent agent.

The Independent Confirmation Agent may not be an Affiliate of or an employee or department of the Portfolio Swap Counterparty or of any of its Affiliates or (ii) KBC Bank or any of its Affiliates unless the Issuer has received written confirmation from Moody's that its then current ratings of each Class of Notes would not be adversely affected by the appointment of such a party.

Subordinated Portfolio Performance Fees

On the Payment Date scheduled to fall in April, 2012 and on each Payment Date thereafter, an amount denominated in Euro (the "**Subordinated Portfolio Performance Fee**") will be payable under the Portfolio Credit Swap by the Issuer to the Portfolio Swap Counterparty which will be equal to the least of:

- (a) the Scheduled Portfolio Performance Fee for such date; or
- (b) the greatest amount which would allow the Collateral Quality Test to be satisfied on the relevant Collateral Quality Determination Date (which amount will be zero if the Collateral Quality Test cannot be satisfied on the relevant Collateral Quality Determination Date); and
- (c) the greater of (1) zero and (2) the credit balance of the Cash Reserve Account (after taking into account all other payments to and due from the Cash Reserve Account in accordance with the Transaction Documents on that date),

provided that on the Enforcement Date or upon any date upon which all of the Notes are fully redeemed at their Adjusted Principal Balance, the Subordinated Portfolio Performance Fee payable to the Portfolio Swap Counterparty will be the sum of all Cash Reserve Amounts paid by the Portfolio Swap Counterparty on or prior to such date less the sum of all Cash Settlement Amounts, payments of Subordinated Portfolio Performance Fees and Reinstatement Amounts funded by the application of Cash Reserves on or prior to such date.

The "**Scheduled Portfolio Performance Fee**" means, with respect to the Payment Date scheduled to fall in April, 2012 and each Payment Date thereafter, an amount, denominated in Euro, equal to the product of (a) the Initial Reference Portfolio Size, (b) 0.25% and (c) the actual number of days in the Interest Period commencing on such Payment Date divided by 360.

Collateral Quality Test

On the Payment Date scheduled to fall in April, 2012 and on each Payment Date thereafter, the Collateral Quality Test will be determined as of the fifth Business Day preceding such Payment Date (the "**Collateral Quality Determination Date**") for

such Payment Date) and the Portfolio Swap Counterparty, on such date, will inform Moody's of the Subordinated Portfolio Performance Fee, if greater than zero, to be paid to the Portfolio Swap Counterparty on the relevant Payment Date.

The "**Collateral Quality Test**" will be satisfied on the Collateral Quality Determination Date for a Payment Date and/or with respect to a proposed Subordinated Portfolio Performance Fee if, presuming that the proposed Subordinated Portfolio Performance Fee for such Payment Date were to be paid to the Portfolio Swap Counterparty on such Collateral Quality Determination Date the Moody's Metric Measure of each Class of Notes on such Collateral Quality Determination Date would be equal to or less than the Required Moody's Metric Measure of such Class of Notes thereafter or with respect to such proposed payment.

The "**Required Moody's Metric Measure**" means, in respect of each Class of Notes, the Maximum Moody's Metric Measure of such Class of Notes *less* 0.50.

Tax Provisions

If any Cash Settlement Amount or other payment obligation of the Issuer under the Portfolio Credit Swap is subject to, or becomes subject to, any deduction or withholding for or on account of any Tax, the Issuer will not be obliged to and will not gross up the Cash Settlement Amount or other amount, and the Portfolio Swap Counterparty will receive such amount less the amount of any such deduction or withholding. The Portfolio Swap Counterparty may, however, in such circumstances elect to terminate the Portfolio Credit Swap.

With respect to the Portfolio Swap Counterparty the tax provisions of the Portfolio Credit Swap are as follow:

- (a) If a payment by the Portfolio Swap Counterparty to the Issuer in respect of the Portfolio Credit Swap is subject to deduction or withholding in respect of any Tax which is required by law, the Portfolio Swap Counterparty will, to the extent permissible by applicable law and regulations, pay to the Issuer such additional amount as, after such required deduction or withholding, would leave the Issuer with a net sum received equal, on an after-tax basis, to that which it would have received if no deduction or withholding were required by law;
- (b) If the Issuer determines that in respect of any Payment Date, it will or there is a substantial likelihood that within 90 days of the relevant date of determination that it will be required by law to withhold or deduct an amount in respect of any Tax from any payment of principal of, interest on or any other amount payable in respect of the Notes, the Portfolio Swap Counterparty may, to the extent permissible by applicable law and regulations (and without duplication of any amounts payable pursuant to the Portfolio Credit Swap) but will not be obligated to do so, pay to the Issuer such Additional Amounts as, after such required deduction or withholding, would enable the Issuer to make grossed-up payments on the Notes in accordance with Condition 8 (*Taxation*);
- (c) If, due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the Closing Date (regardless of whether such action is taken or brought with respect to a party to the Portfolio Credit Swap) or (y) a change in tax law, one or more of the following circumstances will exist or there is a substantial likelihood that on the next succeeding Payment Date one or more of such circumstances will exist:
 - (1) the Portfolio Swap Counterparty will be required to pay to the Issuer any additional amounts (as described in paragraph (a) above); or
 - (2) the Portfolio Swap Counterparty will be obliged to receive any Cash Settlement Amounts or Subordinated Portfolio Performance Fee which may be payable to it subject to the deduction of any amount required to be deducted or withheld for or on account of any Tax; or
 - (3) the Issuer is subject to or becomes liable or there is a substantial likelihood that within 90 days of the relevant date of determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) the Issuer will become liable to pay any Tax (other than as described under (4) and (5) below) or Increased Cost; or
 - (4) payments of interest due on the Principal Collections Account, the Cash Reserve Account or the Interest Collections Account to the Issuer are or there is a substantial likelihood that they will within 90 calendar days of the date of such determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) become subject to deduction or withholding for or on account of any Tax; or
 - (5) an Applicable Collateral Tax Event occurs under the Applicable Collateral Arrangement; or
 - (6) the Issuer will or there is a substantial likelihood that within 90 days of the relevant date of determination (such determination being made by the Issuer relying on an opinion of independent legal advisers, as described below) the Issuer will be required to withhold or deduct an amount in respect of any Tax from any payment of principal of, interest on or any other amount payable in respect of, the Notes,

(each of (c)(1) and (c)(2) above, a "**Swap Tax Event**") then, **provided that** (A) the Portfolio Swap Counterparty has provided to the Issuer and the Note Trustee an opinion, in form and substance satisfactory to the Note Trustee, of independent legal advisers of recognised standing confirming the occurrence or anticipated occurrence of such event within 90 calendar days of the date of such opinion and (B) the Portfolio Swap Counterparty determines, after

consultation with the Issuer and the Note Trustee, that such Tax or Increased Cost cannot be avoided by the Portfolio Swap Counterparty or the Issuer taking reasonable measures available to it, the Portfolio Swap Counterparty may, by giving not less than 35 nor more than 90 calendar days notice to the Issuer, elect to terminate the Portfolio Credit Swap with effect as of such Payment Date and pursuant to such election the Termination Date of the Portfolio Credit Swap will be such Payment Date. The Note Trustee will be entitled to accept such opinion (but may accept other evidence in lieu thereof which in its sole opinion is satisfactory to the Note Trustee) as sufficient evidence of the existence of a Tax Termination Event (for the purpose of the Notes), in which event it will be conclusive and binding on the Noteholders, the Portfolio Swap Counterparty and the Issuer. The termination of the Portfolio Credit Swap following a Swap Tax Event will oblige the Issuer to designate the next following Payment Date as the Tax Redemption Date.

Termination Provisions

The Issuer provides credit protection only with respect to Credit Events which occur on or after the Closing Date and on or before the Termination Date save that if a Potential Failure to Pay occurs with respect to an ABS Reference Obligation of an ABS Reference Entity prior to the Termination Date, a credit protection claim may be made in respect of an ABS Failure to Pay with respect to that ABS Reference Entity which occurs on or before the Grace Period Extension Date.

The term of the Portfolio Credit Swap commences on and includes the Closing Date and, unless subject to an early termination, will expire on the Payment Date scheduled to fall in January, 2038 (the "**Scheduled Termination Date**"). Notwithstanding such expiry, further amounts may be due and payable by the Issuer and the Portfolio Swap Counterparty in accordance with the terms of the Portfolio Credit Swap (see "*Payments upon Termination*" below).

Early Termination

The term of the Portfolio Credit Swap will terminate prior to the Scheduled Termination Date in the following circumstances:

- (a) a Tax Redemption Date is designated pursuant to the provisions described above;
- (b) the Enforcement Date occurs with respect to the Notes;
- (c) the Optional Termination Date is designated pursuant to the Portfolio Credit Swap; or
- (d) an Early Termination Date is designated under the Portfolio Credit Swap.

An "**Early Termination Date**" in respect of the Portfolio Credit Swap may be designated by either the Issuer or the Portfolio Swap Counterparty upon the occurrence, with respect to the other party, of certain events including payments defaults (of five Business Days or more) certain bankruptcy-related events and the contractual performance of such other party's obligations becoming illegal (as more fully described in the Portfolio Credit Swap).

Optional Termination of the Portfolio Credit Swap

The Portfolio Swap Counterparty may, but is not obliged to, designate, by not less than 5 nor more than 60 Business Days written notice to the Issuer the Payment Date scheduled to fall in April, 2012 or any Payment Date falling thereafter as the Optional Termination Date.

If the Portfolio Swap Counterparty designates an Optional Termination Date, payments of principal of the Notes will, unless already commenced and subject to the Conditions, commence on such Optional Termination Date.

Payments upon Termination

Upon the termination of the Portfolio Credit Swap:

- (a) the Issuer will remain liable to pay Cash Settlement Amounts then due or that will become due in respect of a Credit Event for which a Credit Event Notice has been duly delivered but in relation to which a Credit Protection Valuation has not yet been determined and verified in respect of the Portfolio Credit Swap;
- (b) until the Cash Settlement Date on which all positive Cash Settlement Amounts (if any) relating to such Credit Event Notice(s) have been paid, the Portfolio Swap Counterparty will remain liable to make periodic Portfolio Credit Swap Premium payments in respect of the Portfolio Credit Swap;
- (c) the Issuer will remain liable to pay the Swap Termination Fee and the Subordinated Portfolio Performance Fee in respect of the Portfolio Credit Swap; and
- (d) each party will remain liable to pay any amount due and payable, but unpaid, by it on or prior to the date of termination together with interest thereon, and no other termination payments will be payable by either party under the Portfolio Credit Swap.

Swap Termination Fee

On the date upon which the final payment of principal is made to Noteholders in respect of Notes, the Issuer will pay to the Portfolio Swap Counterparty an amount denominated in Euro equal to the Consolidated Global Threshold Amount (the

"**Swap Termination Fee**"), or, if a lesser amount, the amount of funds available to be applied toward such payment in accordance with the priority of payments and security provisions as described herein.

On each Payment Date the Issuer will pay to the Portfolio Swap Counterparty an amount, denominated in Euro, equal to the net interest credited to the Cash Reserve Account since the preceding Payment Date and on or prior to such Payment Date (each such amount payable, a "**Reserve Account Interest Reimbursement**").

Replacement of Portfolio Swap Counterparty

KBC Cayman may:

- (a) upon not less than 30 calendar days and not more than 60 calendar days prior notice to the Issuer and the Note Trustee, substitute an affiliate, branch or agency of KBC Cayman as Portfolio Swap Counterparty (such substitute counterparty, the "**Successor Portfolio Swap Counterparty**") under the Portfolio Credit Swap; **provided that** KBC Cayman delivers or procures the delivery to the Issuer and the Note Trustee of:
 - (1) one or more opinions of counsel acceptable to the Issuer and the Note Trustee stating that:
 - (A) payments made under the Portfolio Credit Swap would not be subject to any withholding tax (or as the case may be, any greater withholding tax); and
 - (B) no corporate, income or other tax will be imposed on the Issuer in its own jurisdiction or in the jurisdiction in which the substitute affiliate, branch or agency is located that it would not otherwise have been subject to following the proposed substitution by the Successor Portfolio Swap Counterparty;
 - (2) written confirmation from each Rating Agency that such replacement will not adversely affect any rating then applicable in respect of any Class of Notes then outstanding; and
 - (3) written confirmation from an officer of the Jersey Financial Services Commission evidencing the approval of the Jersey Financial Services Commission to such substitution: or
- (b) make such a transfer of the Portfolio Credit Swap pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under the Portfolio Credit Swap); **provided that** KBC Cayman delivers or procures the delivery to the Issuer and the Note Trustee of written confirmation of an officer of the Jersey Financial Services Commission evidencing the approval of the Jersey Financial Services Commission to such transfer.

The consent of the Jersey Financial Services Commission to the Issuer issuing the Notes is subject to the condition that there can be no change in the Portfolio Swap Counterparty without the prior approval of an officer of the Jersey Financial Services Commission.

The Swap Agency Agreement

On the Closing Date, the Issuer, the Portfolio Swap Counterparty and the Swap Agents will enter into an agreement (the "**Swap Agency Agreement**"). Pursuant to the Swap Agency Agreement, the Issuer and the Portfolio Swap Counterparty will appoint the Calculation Agent and the Independent Confirmation Agent (together, the "**Swap Agents**") to separately perform various functions under the Swap Agency Agreement in relation to the Portfolio Credit Swap.

Governing Law

The Portfolio Credit Swap and the Swap Agency Agreement will be governed by, and will be construed in accordance with, English law. Each of the Issuer, the Portfolio Swap Counterparty and the Swap Agents will submit to the jurisdiction of the English courts in connection with the Portfolio Credit Swap and the Swap Agency Agreement (as the case may be). On the Closing Date, the Issuer, the Portfolio Swap Counterparty and the Calculation Agent will appoint Bedell Trust UK Limited, KBC Financial Products UK Limited and KBC Bank NV, London Branch, respectively in London to accept service of process on their behalf.

REFERENCE REGISTRY AS AT THE CLOSING DATE

ABS Direct Portfolio

The Reference Registry was compiled by the Portfolio Swap Counterparty in good faith and in reliance on information selected by it acting in a commercially reasonable manner as of the ABS Registry Compilation Date.

Corporate Direct Portfolio and Inner Tranche Portfolios

The Reference Registry was compiled by the Portfolio Swap Counterparty in good faith and in reliance on information selected by it acting in a commercially reasonable manner as of the Corporate Registry Compilation Date.

TRADING GUIDELINES

Replacements may be made by the Portfolio Swap Counterparty only in compliance with the following restrictions (the "**Trading Guidelines**") applicable to each Replacement:

- (1) an entity must meet the Entity Criteria as of (A) any date it is added to the relevant Direct Portfolio or its Reference Entity Notional Amount is increased for the purposes of such Direct Portfolio or (B) any date it is added to the Inner Tranche Portfolios (and, is not, as of such date already included in any Inner Tranche Portfolio) or the sum of its Reference Entity Notional Amounts for the purposes of all Inner Tranche Portfolios is increased;
- (2) with respect to any Sub-Portfolio, the sum of the Reference Entity Notional Amounts of all Reference Entities included in such Sub-Portfolio, after giving effect to all Replacements made on the same day, may not exceed the Maximum Sub-Portfolio Size of that Sub-Portfolio;
- (3) with respect to the Direct Portfolios, the sum of the Reference Entity Notional Amounts of all Direct Portfolio Reference Entities, after giving effect to all Replacements made on the same day, may not exceed the Maximum Direct Portfolios Size;
- (4) if the Reference Portfolio is in compliance with the Reference Portfolio Criteria prior to such Replacement, the Reference Portfolio must remain in compliance with the Reference Portfolio Criteria after giving effect to such Replacement (together with any other Replacements made in the same Replacement Sequence);
- (5) if the Reference Portfolio is not in compliance with one or more of the Reference Portfolio Criteria immediately prior to the commencement of the Replacement Sequence which includes such Replacement:
 - (A) with respect to any of the Reference Portfolio Criteria with which the Reference Portfolio is not in compliance (each such criterion a "**Breached Test**"), the Replacement (together with any other Replacements made in the same Replacement Sequence) must either maintain or improve the existing status of the Reference Portfolio with respect to any such Breached Test; and
 - (B) with respect to any of the Reference Portfolio Criteria with which the Reference Portfolio is in compliance (each such criterion a "**Satisfied Test**"), the Replacement (together with any other Replacements made in the same Replacement Sequence) must not cause the Reference Portfolio to breach any such Satisfied Test;
- (6) the aggregate Reference Entity Notional Amounts of Reference Entities (excluding any Credit Impaired Reference Entities and Credit Improved Reference Entities) which are:
 - (A) added to the relevant Direct Portfolio and/or the aggregate increases in Reference Entity Notional Amounts of Reference Entities in such Direct Portfolio (excluding any Credit Impaired Reference Entities and Credit Improved Reference Entities) during each successive twelve month period from the Closing Date may not exceed 20 per cent. of the Maximum ABS Direct Portfolio Size or the Maximum Corporate Direct Portfolio Size (as the case may be); or
 - (B) added to the Inner Tranche Portfolios and/or the aggregate increases in Reference Entity Notional Amounts of Corporate Reference Entities in the Inner Tranche Portfolios (excluding any Credit Impaired Reference Entities and Credit Improved Reference Entities) during each successive twelve month period from the Closing Date may not exceed 20 per cent. of the Aggregate Initial Inner Tranche Portfolio Size; and
- (7) after giving effect to such Replacement (together with any other Replacements made in the same Replacement Sequence) the Moody's Trading Model Test is satisfied at such time.

If, on any day, the sum of Credit Protection Valuations verified by the Independent Verification Agent on or prior to such day exceeds 50 per cent. of the Consolidated Global Threshold Amount, any Replacement will be subject to the following additional restriction:

- (8) notwithstanding whether the Reference Portfolio is in compliance with the Reference Portfolio Criteria immediately prior to the commencement of the Replacement Sequence which includes such Replacement, such Replacement (together with any other Replacements made in the same Replacement Sequence) maintains or improves the Moody's Metric Measure of any Class of Notes under the Moody's Trading Model.

If, on any day, the sum of Credit Protection Valuations verified by the Independent Verification Agent on or prior to such day exceeds the Consolidated Global Threshold Amount, any Replacement will be subject to the following additional restriction:

- (9) notwithstanding whether the Reference Portfolio is in compliance with the Reference Portfolio Criteria immediately prior to the commencement of the Replacement Sequence which includes such Replacement, each new entity to be included in a Direct Portfolio or Reference Entity included in a Direct Portfolio in respect of which the Reference Entity Notional Amount is to be increased (other than, in each case, a PF Reference Entity and a Proxy ABS Reference Entity) must have a Fitch Rating or a Moody's Rating:

- (A) of at least A- or A3, respectively (or, if such entity is not then rated by either Fitch or Moody's, a S&P Rating of at least A-); and
- (B) in the case of a new entity, that is at least equal to or higher than the Fitch Rating (if any) or, as the case may be, the Moody's Rating (if any) (or, if such entity is not then rated by either Fitch or Moody's, the S&P Rating) of the Reference Entity to be replaced, and such addition or increase must be matched by the removal of or the reduction by a commensurate amount of the Reference Entity Notional Amount of one or more Reference Entities that have been downgraded or have been placed on negative watch for downgrade, in either case by Fitch and/or Moody's (or, if such entity is not then rated by either Fitch or Moody's, by S&P) since the inclusion of such Reference Entity in the Direct Portfolio.

Notwithstanding the above the Portfolio Swap Counterparty may, at any time and without restriction, remove any Reference Entity from the Reference Portfolio and/or reduce the Reference Entity Notional Amount of any Reference Entity.

With respect to Trading Guideline (1) above, if a Corporate Reference Entity is already included in any Inner Tranche Portfolio but does not at the relevant time meet the Entity Criteria, it may be added to or removed from any Inner Tranche Portfolio and its Reference Entity Notional Amount for the purposes of any Inner Tranche Portfolio may be increased or decreased pursuant to a Replacement **provided that** (a) the sum of its Reference Entity Notional Amounts for the purposes of all Inner Tranche Portfolios is not thereby increased and (b) after giving effect to such Replacement together with each other Replacement made with respect to such Corporate Reference Entity in the same Replacement Sequence (and excluding any other Replacements made on the same day), the Moody's Metric Measure of each Class of Notes is maintained or improved thereby. For the purposes of the Moody's Trading Model and the determination of Moody's Metric Measure in such circumstances (but not with respect to the general application of the Moody's Trading Model), the relevant Corporate Reference Entity shall be deemed to constitute part of the Reference Portfolio as if the Conditions to Settlement had not been satisfied with respect thereto.

ENTITY CRITERIA AND REFERENCE PORTFOLIO CRITERIA

Entity Criteria

Each Reference Entity (other than, for the avoidance of doubt, a Proxy ABS Reference Entity) must satisfy the following criteria as of the time of inclusion in the Reference Registry pursuant to a Replacement (the "**Entity Criteria**"):

(a) *Minimum Initial Rating*

With respect to any entity to be included in a Direct Portfolio (other than a PF Reference Entity or a Proxy ABS Reference Entity), at the time of inclusion of such entity in the Reference Registry, the Fitch Rating of such entity must be at least BB+, if then rated by Fitch and the Moody's Rating of such entity must be at least Ba1, if then rated by Moody's; or, if such entity is not then rated by either Fitch or Moody's, the S&P Rating of such entity must be at least BB+.

With respect to any entity to be included in any Inner Tranche Portfolio, at the time of inclusion of such entity in the Reference Registry, the Fitch Rating of such entity must be at least BB-, if then rated by Fitch and the Moody's Rating of such entity must be at least Ba3, if then rated by Moody's; or, if such entity is not then rated by either Fitch or Moody's, the S&P Rating of such entity must be at least BB-.

(b) *Eligible Country*

Each Reference Entity (other than a PF Reference Entity or, for the avoidance of doubt, a Proxy ABS Reference Entity) must, in the sole determination of the Portfolio Swap Counterparty, be organised or have its principal place of business in an Eligible Country.

(c) *PF Reference Entity*

The PF Reference Entity in respect of the PF Reference Obligation is either (a) a Project Contractor or (b) a Project Funding Vehicle.

(d) *Incorporation of PF Reference Entity*

With respect to a PF Reference Entity, the Project Contractor and/or any Project Funding Vehicle is incorporated with either indefinite duration or a duration which extends for at least the term of the Relevant Project Agreement (or, in the case of unincorporated entities, has been created for such a duration).

For the avoidance of doubt, a Reference Entity included in the Reference Registry as of the Closing Date does not need to satisfy the Entity Criteria on either the Registry Compilation Date or the Closing Date.

Reference Portfolio Criteria

The Reference Portfolio must, save as otherwise provided in the Trading Guidelines, as of the date of a Replacement Sequence and certain other dates, meet the following Global Portfolio Criteria, ABS Direct Portfolio Criteria, Corporate Direct Portfolio Criteria, PF Direct Portfolio Criteria and Inner Tranche Portfolios Criteria (as applicable) (together, the "**Reference Portfolio Criteria**").

For the avoidance of doubt, the Reference Portfolio as of the Closing Date does not need to satisfy the Reference Portfolio Criteria on either the Registry Compilation Date or the Closing Date.

Global Portfolio Criteria

The "**Global Portfolio Criteria**" require that each of the features of the Reference Portfolio listed below should satisfy the constraints specified opposite such feature **provided that**, for the avoidance of doubt, the Global Portfolio Criteria shall not apply to Proxy ABS Reference Entities unless otherwise specified below.

Obligor Concentration Limit for each Direct Portfolio Reference Entity (other than a PF Reference Entity):	If the senior unsecured long term debt obligations of the relevant Direct Portfolio Reference Entity have a Fitch Rating of BBB or higher and/or a Moody's Rating of Baa2 or higher (or, if such entity is not then rated by either Fitch or Moody's, a S&P Rating of BBB or higher), no greater than 1% of the Initial Reference Portfolio Size, if the senior unsecured long term debt obligations of the relevant Direct Portfolio Reference Entity have a Fitch Rating of BBB- or a Moody's Rating of Baa3 (or, if such entity is not then rated by either Fitch or Moody's, a S&P Rating of BBB-), no greater than 0.75% of the Initial Reference Portfolio Size, or
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if the senior unsecured long term debt obligations of the relevant Direct Portfolio Reference Entity have a Fitch Rating of less than BBB- or a Moody's Rating of less than Baa3 (or, if such entity is not then rated by either Fitch or Moody's, a S&P Rating of less than BBB-),

no greater than 0.5% of the Initial Reference Portfolio Size.

The aggregate Reference Entity Notional Amounts of each Direct Portfolio Reference Entity (other than a PF Reference Entity) rated lower than BBB-, if then rated by Fitch, or lower than Baa3, if then rated by Moody's (or, if such entity is not then rated by either Fitch or Moody's, a S&P Rating of lower than BBB-), as a percentage of the Initial Reference Portfolio Size.

No greater than 10% of the Initial Reference Portfolio Size.

Moody's Industry Group Concentration Limit:

In respect of the Direct Portfolios, no greater than 15% of the Initial Direct Portfolios Size.

Moody's Emerging Market Exposure Limit:

In respect of the Direct Portfolios, no greater than 10% of the Initial Direct Portfolios Size.

The aggregate Reference Entity Notional Amounts of Direct Portfolio Reference Entities (other than PF Reference Entities) which are Affiliates of KBC Bank as a percentage of the Initial Direct Portfolios Size:

No greater than 5% of the Initial Direct Portfolios Size.

ABS Direct Portfolio Criteria

The "**ABS Direct Portfolio Criteria**" require that each of the features of the ABS Direct Portfolio listed below should satisfy the constraint specified opposite such feature.

The aggregate Reference Entity Notional Amounts of ABS Direct Portfolio Reference Entities (excluding Proxy ABS Reference Entities) not having a Moody's Rating (published by Moody's):

No greater than 20% of the Maximum ABS Direct Portfolio Size.

ABS Direct Portfolio Weighted Average Life:

As at any date of determination no greater than the Expected Life,

provided that, the Portfolio Swap Counterparty may, at any time, remove an ABS Reference Entity (or reduce any Reference Entity Notional Amount thereof) and (subject to compliance with any applicable Trading Guideline other than compliance with this ABS Direct Portfolio Weighted Average Life Portfolio Criteria) replace it with a Corporate Reference Entity.

Obligor Concentration Limit for each Proxy ABS Reference Entity:

No greater than 1% of the Initial Reference Portfolio Size.

Corporate Direct Portfolio Criteria

The "**Corporate Direct Portfolio Criteria**" require that each of the features of the Corporate Direct Portfolio listed below should satisfy the constraints specified opposite such feature.

The aggregate Reference Entity Notional Amounts of Corporate Direct Portfolio Reference Entities not having a Moody's Rating (published by Moody's):

No greater than 20% of the Maximum Corporate Direct Portfolio Size.

Inner Tranche Portfolios Criteria

The "**Inner Tranche Portfolios Criteria**" require that each of the features of the Inner Tranche Portfolios listed below should satisfy the constraints specified opposite such feature.

Obligor Concentration Limit for each Corporate Reference Entity in the Inner Tranche Portfolios:

No greater than 1% of the Aggregate Initial Inner Tranche Portfolio Size.

The aggregate Reference Entity Notional Amounts of Corporate Reference Entities in the Inner Tranche Portfolios not having a Moody's Rating:

To be an amount no greater than 20% of the Aggregate Initial Inner Tranche Portfolio Size.

Maximum Number of Inner Tranche Portfolios which may include the same Corporate Reference Entity at any one time:

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provided that, if and for so long as the relevant Corporate Reference Entity has a Fitch Rating of less than BBB- or a Moody's Rating of less than Baa3 (or, if such entity is not rated by either Fitch or Moody's, a S&P Rating of less than BBB-),

3,

further provided that the Portfolio Swap Counterparty will not be required to reduce the number of Inner Tranches which include the same Corporate Reference Entity if this criteria ceases to be satisfied (other than because of a Replacement made in breach of the Trading Guidelines).

Moody's Industry Group Concentration Limit:

In respect of the aggregate of the Inner Tranche Portfolios, no greater than 15% of the aggregate of the Initial Inner Tranche Portfolio Sizes.

Moody's Emerging Market Exposure Limit:

In respect of any Inner Tranche Portfolio, no greater than 10% of the Initial Inner Tranche Portfolio Size of such Inner Tranche Portfolio.

The aggregate Reference Entity Notional Amounts of Corporate Reference Entities in the Inner Tranche Portfolios which are Affiliates of KBC Bank as a percentage of the Aggregate Initial Inner Tranche Portfolio Size.

No greater than 5% of the Aggregate Initial Inner Tranche Portfolio Size.

PF Direct Portfolio Criteria

The "**PF Direct Portfolio Criteria**" require that each of the features of the PF Direct Portfolio listed below should satisfy the following criteria, or as the case may be, the constraint specified opposite such feature.

(a) *Project Funding Vehicle*

If the PF Reference Entity is a Project Funding Vehicle, then its obligations in respect of the PF Reference Obligation are either (i) guaranteed by the relevant Project Contractor or (ii) otherwise structured so that repayment/payment of the relevant PF Reference Obligation can be made in whole and on time as payments fall due out of payments required to be made by the Project Contractor to the Project Funding Vehicle.

(b) *Project Contractor*

The relevant Project Contractor has entered into an Eligible Project Agreement in relation to an Eligible Project.

(c) *Eligible Project Agreement*

The Relevant Project Agreement is a concession agreement, tolling agreement, licensing agreement, construction contract, development management agreement, supply agreement, off-take agreement, operating agreement, shareholders agreement, direct agreement, or similar agreement or a selection or combination of the above agreements, which sets out the obligations of the various counterparties to an Eligible Project.

(d) *Eligible Project*

The Eligible Project consists of all or any part of the financing, design, construction and/or refurbishment, of assets and the operation and/or maintenance of assets with a view to delivering those assets and/or to providing a service to a Project Finance Counterparty, any other entity, or the general public, in each case, in or in relation to an Eligible Project Sector.

(e) *Eligible Project Sector*

The Eligible Project Sector is either Airports, Aluminium smelters, Army barracks, Cable, fixed, mobile, satellite & tower Telecom infrastructure, Car parks, Court buildings, Gas & electricity distribution networks, Government buildings or offices and/or other government or civil service accommodation, Hospitals, Light and heavy rail transport, metro and/or underground rail or other forms of public transport, LNG Facilities, Mining, Nursing homes and/or healthcare, Oil and gas pipelines, Oil production, Petrochemicals, Police buildings, Power generation, Prisons and/or custodial services, Public housing, Refineries, Renewable energy, Schools and/or education, Scientific institutions or buildings, Seaports, Sports & leisure facilities, Streets, Roads, Bridges, tunnels, road related infrastructure and urban infrastructure, Waste to Energy, Waste, removal, collection treatment, disposal or sewage, Water origination, purification and distribution.

(f) *PF Reference Obligation*

The PF Reference Obligation is either	(i) a Project Finance Loan or (ii) a Project Finance Guarantee Indemnity.
PF Direct Portfolio Weighted Average Life:	As at any date of determination no greater than the Expected Life. provided that , the Portfolio Swap Counterparty may, at any time, remove a PF Reference Entity (or reduce any Reference Entity Notional Amount thereof) and (subject to compliance with any applicable Trading Guideline other than compliance with this PF Direct Portfolio Weighted Average Life Portfolio Criteria) replace it with a Corporate Reference Entity.

Definitions applicable to the Trading Guidelines, the Entity Criteria and the Reference Portfolio Criteria

In the Trading Guidelines, the Entity Criteria and the Reference Portfolio Criteria the following expressions will, except where the context otherwise requires and where otherwise defined therein, have the following meanings:

"**ABS Direct Portfolio Weighted Average Life**" is calculated as of any date of determination by:

- (a) summing the products obtained by multiplying the Reference Obligation Notional Amount of each ABS Reference Entity in the ABS Direct Portfolio by the ABS Direct Portfolio Obligation Weighted Average Life thereof;
- (b) dividing such sum by the aggregate Reference Entity Notional Amounts of all ABS Direct Portfolio Reference Entities; and
- (c) rounding the result up to one decimal place.

"**ABS Direct Portfolio Obligation Weighted Average Life**" means:

- (a) for any ABS Reference Obligation of an ABS Reference Entity and as of any date of determination, the amounts reasonably determined by the Portfolio Swap Counterparty to be the sum of the products obtained by multiplying each principal repayment instalment expected in respect of such ABS Reference Obligation by the number of years between such date of determination and the date that the Portfolio Swap Counterparty reasonably expects such instalment to be paid divided by the outstanding principal balance of such obligation as at such date of determination; **Provided that**, for the avoidance of doubt, if, in the reasonable opinion of the Portfolio Swap Counterparty, the outstanding principal balance of an ABS Reference Obligation is reduced to zero, the ABS Direct Portfolios Obligation Weighted Average Life thereof shall be zero; and
- (b) for the Proxy ABS Reference Obligation of a Proxy ABS Reference Entity, the amounts reasonably determined by the Portfolio Swap Counterparty to be the sum of the products obtained by multiplying the amount of each anticipated or scheduled reduction in notional amount of the relevant Eligible Credit Swap Transaction by the number of years between such date of determination and that date that the Portfolio Swap Counterparty reasonably expects such reduction to be made divided by the notional amount of such Eligible Credit Swap Transaction as at such date of determination; **Provided that**, for the avoidance of doubt, if, in the reasonable opinion of the Portfolio Swap Counterparty, the notional amount of such Eligible Credit Swap Transaction is reduced to zero, the ABS Direct Portfolios Obligation Weighted Average Life thereof shall be zero.

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity of person.

"**Aggregate Initial Inner Tranche Portfolio Size**" means the aggregate of the Initial Inner Tranche Portfolio Size of each Inner Tranche Portfolio.

"**Approved Trading Matter**" means, in circumstances where the Portfolio Swap Counterparty is seeking to procure the satisfaction of the Controlling Class Trading Test for the purposes of the Moody's Trading Model Test, any proposal:

- (a) to consent to the Replacement in respect of which such Controlling Class Trading Test is required to be satisfied; or
- (b) to consent to the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during a Controlling Class Approved Replacement Period.

"**Consolidated Global Threshold Amount**" means as of any date, an amount equal to (a) EUR 61,450,000 *less* (b) the aggregate amount actually paid to the Portfolio Swap Counterparty in respect of the Subordinated Portfolio Performance Fee on or prior to such date under the Portfolio Credit Swap.

"**Controlling Class Approved Replacement Period**" means a period during which the Portfolio Swap Counterparty may make Replacements, which may be quarterly, semi-annual, annual or such other period ending on or before the Scheduled Amortisation Commencement Date as the Controlling Class may resolve and specify in its absolute discretion.

The "**Controlling Class Trading Test**" is satisfied as at any time (or, if a Controlling Class Approved Replacement Period has been specified, during such Controlling Class Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to the Note Trustee (with a copy to Moody's) that the Noteholders of the Controlling Class have passed a resolution in respect of an Approved Trading Matter in accordance with the Conditions consenting to either: (i) such Replacement; or (ii) the Portfolio Swap Counterparty continuing to make Replacements in accordance with the Trading Guidelines during such Controlling Class Approved Replacement Period.

A "**Credit Impaired Reference Entity**" means any Reference Entity that, in the Portfolio Swap Counterparty's reasonable commercial judgement, has a significant risk of declining in credit quality and, with the lapse of time, defaulting on its obligations.

A "**Credit Improved Reference Entity**" means any Reference Entity that, in the Portfolio Swap Counterparty's reasonable commercial judgement, has a significant potential for improving in credit quality and, with the lapse of time, having the price of credit protection for such entity's debt obligations in the professional market become lower.

"**EC Treaty**" means 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 as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997).

"**Eligible Country**" means:

- (a) each country or jurisdiction listed as follows: Australia, Austria, Belgium, Bermuda, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Kazakhstan, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, The Netherlands, New Zealand, Norway, Poland, Portugal, the Philippines, Romania, Russia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom and the United States of America and, with respect to an ABS Reference Entity only, the Cayman Islands, Guernsey and Jersey, The Channel Islands;
- (b) each country or jurisdiction which is or becomes a Member State of the European Union;
- (c) each country or jurisdiction which is or becomes a Member State of the European Economic Area;
- (d) each country or jurisdiction with a Fitch sovereign rating of at least A- (if then rated by Fitch) or a Moody's sovereign rating of at least A3 (if then rated by Moody's) or a S&P sovereign rating of at least A- (if then rated by S&P); and
- (e) each sovereign successor state to a country or jurisdiction listed in sub-paragraphs (a) to (c) above.

"**Emerging Market Reference Entity**" means each Reference Entity which, in the sole determination of the Portfolio Swap Counterparty, is organised or has its principal place of business in a country or jurisdiction with a Fitch sovereign rating of less than A+ (if then rated by Fitch) or a Moody's sovereign rating of less than A1 (if then rated by Moody's) or a S&P sovereign rating of less than A+ (if then rated by S&P) **provided that** notwithstanding the above, a Reference Entity that has adopted the Euro as its primary currency by virtue of a formal agreement with the European Union and is a Member State of the European Union shall not constitute an "Emerging Market Reference Entity" for the purposes of this definition.

"**European Economic Area**" means the internal market created by the agreement signed in Oporto on 2 May, 1992 and which entered into force on 1 January, 1994 between the European Community and the Member States of the European Union as at such date (on the one hand) and Iceland, Norway and Lichtenstein (on the other hand).

"**European Union**" means the supranational organisation of states established with that name by the Treaty on European Union (signed in Maastricht on 7 February, 1992) as enlarged by the Treaty of Accession (signed in Athens on 16 April, 2003), and as may be enlarged from time to time by the agreement of the member states thereof.

"**Expected Life**" means, as of any date of determination, the number of years (expressed to one decimal place) between such date of determination and the Payment Date scheduled to fall in April, 2017.

"**Fitch**" means Fitch, Inc., Fitch Ratings Ltd. and their respective subsidiaries, including Derivative Fitch, Inc. and Derivative Fitch Ltd. and any successor or successors thereto.

"**Fitch Rating**" means (a) with respect to a corporate entity or its obligations, if there is a corporate issuer credit rating of such entity published by Fitch, the most current corporate issuer credit rating for such corporate entity; and (b) in respect of an asset backed debt obligation, if there is a rating published by Fitch of such asset backed debt obligation, the most current rating for such asset backed debt obligation; **Provided that**, in the case of both (a) and (b) above (but other than for the purposes of determining the occurrence of an ABS Reference Entity Credit Event where, for the avoidance of doubt, reference shall only be had to ratings published by Fitch), in the absence of such a rating and at the option of the Portfolio Swap Counterparty, "Fitch Rating" shall mean an equivalent form of rating published by Fitch in respect of such entity or its obligations as selected by the Portfolio Swap Counterparty in its absolute discretion.

"**Global Threshold Amount**" means EUR 22,500,000.

"**Initial ABS Direct Portfolio Size**" means EUR 450,000,000.

"**Initial Corporate Direct Portfolio Size**" means EUR 1,500,000,000.

"Initial Direct Portfolios Size" means EUR 1,950,000,000.

"Initial Inner Tranche Portfolio Size" means, with respect to any Inner Tranche Portfolio, an amount equal to the Tranche Thickness Amount of that Inner Tranche Portfolio divided by 0.06.

"Initial Reference Portfolio Size" means EUR 3,000,000,000.

"Inner Tranche Reference Entity" means an A-1 Reference Entity, an A-2 Reference Entity, an A-3 Reference Entity, an A-4 Reference Entity, an A-5 Reference Entity, an A-6 Reference Entity, an A-7 Reference Entity, an A-8 Reference Entity, an A-9 Reference Entity or an A-10 Reference Entity (as the case may be).

"KBC Bank" means KBC Bank NV, a company incorporated under the laws of Belgium (registered in the Register of Legal Persons under number 0462.920.226) whose registered office is at Havenlaan 2, 1080, Brussels, Belgium (which expression includes any successor in title thereto).

"Maximum ABS Direct Portfolio Size" means, with respect to the ABS Direct Portfolio and for any day, EUR 600,000,000 *less*, where any Cash Settlement Date has occurred on or prior to such day and with respect to an ABS Reference Entity and the ABS Direct Portfolio (and subject to any ABS Partial Settlement provisions), the Reference Entity Notional Amount of each such ABS Reference Entity.

"Maximum Corporate Direct Portfolio Size" means, with respect to the Corporate Direct Portfolio and for any day, EUR 1,950,000,000 *less*, where any Cash Settlement Date has occurred on or prior to such day and with respect to a Corporate Reference Entity and the Corporate Direct Portfolio (and subject to any Partial Settlement provisions), the Reference Entity Notional Amount (for the purpose of the Corporate Direct Portfolio) of each such Corporate Reference Entity.

"Maximum Direct Portfolios Size" means, with respect to the Direct Portfolios and for any day, the Initial Direct Portfolios Size *less*:

- (a) where any Cash Settlement Date has occurred on or prior to such day and with respect to an ABS Reference Entity and the ABS Direct Portfolio (and subject to any ABS Partial Settlement provisions), the Reference Entity Notional Amount of each such ABS Reference Entity;
- (b) where any Cash Settlement Date has occurred on or prior to such day and with respect to a Corporate Reference Entity and the Corporate Direct Portfolio (and subject to any Partial Settlement provisions), the Reference Entity Notional Amount (for the purpose of the Corporate Direct Portfolio) of each such Corporate Reference Entity; and
- (c) where any Cash Settlement Date has occurred on or prior to such day and with respect to a PF Reference Entity and the PF Direct Portfolio, the Reference Entity Notional Amount (for the purpose of the PF Direct Portfolio) of each such PF Reference Entity.

"Maximum Inner Tranche Portfolio Size" means, with respect to any Inner Tranche Portfolio and for any day, the Initial Inner Tranche Portfolio Size (of that Sub-Portfolio) *less*, where any Cash Settlement Date has occurred on or prior to such day and with respect to an Inner Tranche Reference Entity and that Sub-Portfolio (and subject to any Partial Settlement provisions), the Reference Entity Notional Amount (for the purpose of that Sub-Portfolio) of each such Inner Tranche Reference Entity.

"Maximum Moody's Metric Measure" means, with respect to any Class of Notes and any date of determination, the maximum Moody's Metric Measure that the Portfolio Swap Counterparty determines, pursuant to the application of the Moody's Trading Model, may be sustained by that Class of Notes if the Moody's Trading Model is to maintain the Moody's Rating as at the Closing Date of that Class of Notes.

"Maximum PF Direct Portfolio Size" means zero.

"Maximum Sub-Portfolio Size" means, with respect to:

- (a) the ABS Direct Portfolio, the Maximum ABS Direct Portfolio Size;
- (b) the Corporate Direct Portfolio, the Maximum Corporate Direct Portfolio Size;
- (c) any Inner Tranche Portfolio, the Maximum Inner Tranche Portfolio Size thereof; and
- (d) the PF Direct Portfolio, the Maximum PF Direct Portfolio Size.

"Member State of the European Economic Area" means a country, state or jurisdiction which is a member of the European Economic Area.

"Member State of the European Union" means a country, state or jurisdiction which is a member of the European Union.

"Monoline Wrapped Obligation" means any obligation in respect of which the repayment of principal is guaranteed or insured by a monoline insurance company.

"Moody's" means Moody's Investors Services Limited or any successor thereto.

"Moody's ABS Applicable Recovery Rate" means with respect to any ABS Reference Obligation of an ABS Reference Entity, an amount equal to the percentage set forth in the table below which relates to the Moody's ABS Recovery Category

applicable to such ABS Reference Obligation and in the column thereof headed by the Moody's Rating of such ABS Reference Obligation (as of the date of issuance thereof) and on the row opposite the percentage that obligations which belong to the Moody's ABS Recovery Category (of which such ABS Reference Obligation is part) constitute relative to the total capitalisation (including both the debt and equity securities) of the ABS Reference Entity for such ABS Reference Obligation, as determined on the date of issuance of such ABS Reference Obligation; **Provided that** the Moody's ABS Applicable Recovery Rate for an ABS Reference Obligation that is a Whole Business Securitisation Security or which is a Monoline Wrapped Obligation is 45 per cent. and *further provided that* for the purposes of determining a Minimum Final Price only, the Moody's ABS Applicable Recovery Rate for any ABS Reference Obligation which, in the reasonable opinion of the Portfolio Swap Counterparty, does not fall within any Moody's ABS Recovery Category listed below will be 45% or such other rate as Moody's may determine after reviewing, at the request of the Portfolio Swap Counterparty, such ABS Reference Obligation and the structure applicable thereto.

<i>Category 1. Diversified Securities</i>							
Min % (exc)	Max %	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	70%	60%	50%	40%
10%	70%	75%	70%	60%	50%	40%	30%
0%	10%	70%	65%	55%	45%	35%	25%

<i>Category 2. Residential Securities</i>							
Min % (exc)	Max %	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	65%	55%	45%	30%
10%	70%	75%	70%	55%	45%	35%	25%
5%	10%	65%	55%	45%	40%	30%	20%
2%	5%	55%	45%	40%	35%	25%	15%
0%	2%	45%	35%	30%	25%	15%	10%

<i>Category 3. Undiversified Securities</i>							
Min % (exc)	Max %	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	65%	55%	45%	30%
10%	70%	75%	70%	55%	45%	35%	25%
5%	10%	65%	55%	45%	35%	25%	15%
2%	5%	55%	45%	35%	30%	20%	10%
0%	2%	45%	35%	25%	20%	10%	5%

<i>Category 4. Low Diversity CDO</i>							
Min % (exc)	Max %	Aaa	Aa	A	Baa	Ba	B
70%	100%	80%	75%	60%	50%	45%	30%
10%	70%	70%	60%	55%	45%	35%	25%
5%	10%	60%	50%	45%	35%	25%	15%
2%	5%	50%	40%	35%	30%	20%	10%
0%	2%	30%	25%	20%	15%	7%	4%

<i>Category 5. High Diversity CDO</i>							
Min % (exc)	Max %	Aaa	Aa	A	Baa	Ba	B
70%	100%	85%	80%	65%	55%	45%	30%
10%	70%	75%	70%	60%	50%	40%	25%
5%	10%	65%	55%	50%	40%	30%	20%
2%	5%	55%	45%	40%	35%	25%	10%
0%	2%	45%	35%	30%	25%	10%	5%

"Moody's ABS Recovery Category" means any of Category 1. Diversified Securities, Category 2. Residential Securities, Category 3. Undiversified Securities, Category 4. Low Diversity CDO and Category 5. High Diversity CDO. The Moody's ABS Recovery Category applicable to an ABS Reference Obligation means the Moody's ABS Recovery Category applicable to the Moody's Industry Group to which, in the reasonable opinion of the Portfolio Swap Counterparty, such ABS Reference Obligation belongs. The Portfolio Swap Counterparty will not determine that an ABS Reference Obligation belongs to a Home Equity Loans Moody's Industry Group unless, in the determination of the Portfolio Swap Counterparty, payments on the relevant obligation are secured on a pool of assets primarily consisting of residential mortgage obligations of prime borrowers.

"Moody's Corporate Industry Group Classification" means, with respect to any Corporate Reference Entity, the corporate industry group below to which, in the reasonable opinion of the Portfolio Swap Counterparty, such Corporate Reference Entity belongs.

- 1 Aerospace and Defence:
Major Contractor, Subsystems, Research, Aircraft Manufacturing, Arms, Ammunition
- 2 Automobile:
Automotive Equipment, Auto-Manufacturing, Auto Parts Manufacturing, Personal Use Trailers, Motor Homes, Dealers
- 3 Banking:
Bank Holding, Savings and Loans, Consumer Credit, Small Loan, Agency, Factoring, Receivables
- 4 Beverage, Food and Tobacco:

- Beer and Ale, Distillers, Wines and Liquors, Distributors, Soft Drink Syrup, Bottlers, Bakery, Mill Sugar, Canned Foods, Canned Foods, Corn Refiners, Dairy Products, Meat Products, Poultry Products, Snacks, Packaged Foods, Distributors, Candy, Gum, Seafood, Frozen Food, Cigarettes, Cigars, Leaf/Snuff, Vegetable Oil*
- 5 **Buildings and Real Estate:**
Brick, Cement, Climate Controls, Contracting, Engineering, Construction, Hardware, Forest Products (building-related only), Plumbing, Roofing, Wallboard, Real Estate, Real Estate Development, REITs, Land Development
- 6 **Chemicals, Plastics and Rubber:**
Chemicals (non-agriculture), Industrial Gases, Sulphur, Plastics, Plastic Products, Abrasives, Coatings, Paints, Varnish, Fabricating
- 7 **Containers, Packaging and Glass:**
Glass, Fibreglass, Containers made of Glass, Metal, Paper, Plastic, Wood or Fibreglass
- 8 **Personal and Non Durable Consumer Products (Manufacturing Only):**
Soaps, Perfumes, Cosmetics, Toiletries, Cleaning Supplies, School Supplies
- 9 **Diversified/Conglomerate Manufacturing**
- 10 **Diversified/Conglomerate Service**
- 11 **Diversified Natural Resources, Precious Metals and Minerals:**
Fabricating, Distribution, Mining and Sales
- 12 **Ecological:**
Pollution Control, Waste Removal, Waste Treatment, Waste Disposal
- 13 **Electronics:**
Computer Hardware, Electric Equipment, Components, Controllers, Motors, Household Appliances, Information Service, Communication Systems, Radios, TVs, Tape Machines, Speakers, Printers, Drivers, Technology
- 14 **Finance:**
Investment Brokerage, Leasing, Syndication, Securities
- 15 **Farming and Agriculture:**
Livestock, Grains, Produce, Agricultural Chemicals, Agricultural Equipment, Fertilisers
- 16 **Grocery:**
Grocery Stores, Convenience Food Stores
- 17 **Healthcare, Education and Childcare:**
Ethical Drugs, Proprietary Drugs, Research, Health Care Centres, Nursing Homes, HMOs, Hospitals, Hospital Supplies, Medical Equipment
- 18 **Home and Office Furnishings, Housewares, and Durable Consumer Products:**
Carpets, Floor Coverings, Furniture, Cooking, Ranges
- 19 **Hotels, Motels, Inns and Gaming**
- 20 **Insurance:**
Life, Property and Casualty, Broker, Agent, Surety
- 21 **Leisure, Amusement, Entertainment:**
Boating, Bowling, Billiards, Musical Instruments, Fishing, Photo Equipment, Records, Tapes, Sports, Outdoor Equipment (camping), Tourism, Resorts, Games, Toy Manufacturing
- 22 **Machinery (Non-Agriculture, Non-Construction, Non-Electronic):**
Industrial, Machine Tools, Steam Generators
- 23 **Mining, Steel, Iron and Non Precious Metals:**
Coal, Copper, Lead, Uranium, Zinc, Aluminium, Stainless Steel, Integrated Steel, Ore Production, Refractories, Steel Mill Machinery, Mini-Mills, Fabricating, Distribution and Sales
- 24 **Oil and Gas:**
Crude Producer, Retailer, Well Supply, Service and Drilling
- 25 **Personal, Food and Miscellaneous:**
- 26 **Printing and Publishing:**
Graphic Arts, Paper, Paper Products, Business Forms, Magazines, Books, Periodicals, Newspapers, Textbooks
- 27 **Cargo Transport:**
Rail, Shipping, Railroads, Rail-car Builders, Ship Builders, Containers, Container Builders, Parts, Overnight Mail, Trucking, Truck Manufacturing, Trailer Manufacturing, Air Cargo, Transport
- 28 **Retail Stores:**
Apparel, Toy, Variety, Drugs, Department, Mail Order Catalogue, Showroom
- 29 **Telecommunications:**
Local, Long Distance, Independent, Telephone, Telegraph, Satellite, Equipment, Research, Cellular
- 30 **Textiles and Leather:**

- 31 *Producer, Synthetic Fibre, Apparel Manufacturer, Leather Shoes*
Personal Transportation:
Air, Bus, Rail, Car, Rental
- 32 Utilities:
Electric, Water, Hydro Power, Gas, Diversified
- 33 Broadcasting & Entertainment:
Recording Industry, Motion Exhibition Theatres, Motion Picture Production and Distribution, Radio, T.V., Cable Broadcasting, and Broadcast Equipment.
- 34 Sovereign & Supranational:
Sovereign states, state-guaranteed institutions and non-governmental organisations.

"Moody's Emerging Market Exposure Limit" means the aggregate of the Reference Entity Notional Amounts of each Emerging Market Reference Entity (other than a PF Reference Entity or, for the avoidance of doubt, a Proxy ABS Reference Entity) included in the relevant Sub-Portfolio as (a) a percentage of the Initial Direct Portfolios Size (in the case of the Direct Portfolios) and (b) a percentage of the Initial Inner Tranche Portfolio Size of such Inner Tranche Portfolio (in the case of an Inner Tranche Portfolio).

"Moody's Industry Group" means with respect to (a) any Reference Obligation of an ABS Reference Entity, the group to which such Reference Obligation belongs, as determined in the reasonable opinion of the Portfolio Swap Counterparty by reference to the following table and the "Moody's ABS Recovery Category" applicable to such Moody's Industry Group is as set out opposite such category and (b) any Corporate Reference Entity, the category to which its Moody's Corporate Industry Group Classification belongs, as determined in accordance with the following table:

<i>Sector Code</i>	<i>Sector Name</i>	<i>Recovery Category</i>
1	CORP - Corporate related - Corporate - Aerospace and Defense	0
2	CORP - Corporate related - Corporate - Automobile	0
3	CORP - Corporate related - Corporate - Banking	0
4	CORP - Corporate related - Corporate - Beverage, Food and Tobacco	0
5	CORP - Corporate related - Corporate - Buildings and Real Estate	0
6	CORP - Corporate related - Corporate - Chemicals, Plastics and Rubber	0
7	CORP - Corporate related - Corporate - Containers, Packaging and Glass	0
8	CORP - Corporate related - Corporate - Personal and Non Durable Consumer Products (Manufacturing Only)	0
9	CORP - Corporate related - Corporate - Diversified/Conglomerate Manufacturing	0
10	CORP - Corporate related - Corporate - Diversified/Conglomerate Service	0
11	CORP - Corporate related - Corporate - Diversified Natural Resources, Precious	0
12	CORP - Corporate related - Corporate - Ecological	0
13	CORP - Corporate related - Corporate - Electronics	0
14	CORP - Corporate related - Corporate - Finance	0
15	CORP - Corporate related - Corporate - Farming and Agriculture	0
16	CORP - Corporate related - Corporate - Grocery	0
17	CORP - Corporate related - Corporate - Healthcare, Education and Childcare	0
18	CORP - Corporate related - Corporate - Home and Office Furnishings, Housewares, and Durable Consumer Products	0
19	CORP - Corporate related - Corporate - Hotels, Motels, Inns and Gaming	0
20	CORP - Corporate related - Corporate - Insurance	0
21	CORP - Corporate related - Corporate - Leisure, Amusement, Entertainment	0
22	CORP - Corporate related - Corporate - Machinery (Non-Agriculture, Non-Construction, Non-Electronic)	0
23	CORP - Corporate related - Corporate - Mining, Steel, Iron and Non Precious Metals	0
24	CORP - Corporate related - Corporate - Oil and Gas	0
25	CORP - Corporate related - Corporate - Personal, Food and Miscellaneous	0
26	CORP - Corporate related - Corporate - Printing and Publishing	0
27	CORP - Corporate related - Corporate - Cargo Transport	0
28	CORP - Corporate related - Corporate - Retail Stores	0
29	CORP - Corporate related - Corporate - Telecommunications	0
30	CORP - Corporate related - Corporate - Textiles and Leather	0

31	CORP - Corporate related - Corporate - Personal Transportation	0
32	CORP - Corporate related - Corporate - Utilities	0
33	CORP - Corporate related - Corporate - Broadcasting & Entertainment	0
34	CORP - Corporate related - Corporate - Sovereign & Supranational	0
35	CORP - Corporate related - Corporate - BUFFER	
36	ABS - Consumer - Consumer ABS - Auto Loan and Personal Lease	1
37	ABS - Consumer - Consumer ABS - Credit Card	1
38	ABS - Consumer - Consumer ABS - Student Loans	1
39	ABS - Consumer - RMBS – First and Second Lien Prime	2
40	ABS - Consumer - RMBS - Midprime	2
41	ABS - Consumer - RMBS – Subprime	2
42	ABS - Consumer - RMBS – Manufactured Housing	2
43	ABS - Consumer - ABS CDOs	4
44	ABS - Specific - Specific – Tax Lien	3
45	ABS - Specific - Specific - Mutual Fund Fees	3
46	ABS - Specific - Specific - Structured Settlement	3
47	ABS - Specific - Specific - Utility Stranded Cost	3
48	ABS - Specific - Specific - Big Ticket Lease	3
49	ABS - Specific - Specific – IP (including Entertainment Royalties)	3
50	ABS - Specific - Specific – Dealer's Floorplan	3
51	ABS - Specific – Specific – Tobacco Bonds	3
52	ABS - Commercial Real Estate - CMBS - Conduit	3
53	ABS - Commercial Real Estate - CMBS – Credit Tenant Lease	3
54	ABS - Commercial Real Estate - CMBS - Large Loans	3
55	ABS - Commercial Real Estate - REITs - Hotel	3
56	ABS - Commercial Real Estate - REITs - Multi family	3
57	ABS - Commercial Real Estate - REITs - Office	3
58	ABS - Commercial Real Estate - REITs - Retail	3
59	ABS - Commercial Real Estate - REITs - Industrial	3
60	ABS - Commercial Real Estate - REITs - Healthcare	3
61	ABS - Commercial Real Estate - REITs - Self-storage	3
62	ABS - Commercial Real Estate - REITs - Diversified	3
63	ABS - Commercial Real Estate - Real Estate CDOs	3
64	ABS - Corporate related - CDO - CDO^n exposed to IG	5
65	ABS - Corporate related - CDO - CDO^n exposed to HY	5
66	ABS - Corporate related - CDO - CDO^n exposed to EM	4
67	ABS - Corporate related - CDO - CDO^n exposed to SME and SME Lease	5
68	ABS – Corporate related – CDO – Franchise Loans	4

"Moody's Industry Group Concentration Limit" means, with respect to each Moody's Industry Group, the aggregate of the Reference Entity Notional Amounts of each Reference Entity (other than a PF Reference Entity or, for the avoidance of doubt, a Proxy ABS Reference Entity) in such Moody's Industry Group included in the relevant Sub-Portfolio as (a) a percentage of the Initial Direct Portfolios Size (in the case of the Direct Portfolios) and (b) a percentage of the aggregate of the Initial Inner Tranche Portfolio Sizes (in the case of the aggregate of the Inner Tranche Portfolios).

"Moody's Issuer Ratings Delivery Service" means the then current proprietary ratings information in relation to corporate, bank and sovereign issuers published electronically via file transfer protocol on a scheduled (daily) basis by Moody's.

"Moody's Metric Measure" means, with respect to a Class of Notes, a time independent numeric measure of the ultimate loss of principal and interest expected to be suffered by such Notes as determined by the application of the Moody's Trading Model.

"Moody's Metric Threshold" means, in respect of a Class of Notes, the sum of (i) the Maximum Moody's Metric Measure of such Class of Notes and (ii) 2 (two).

"Moody's Permissible Metric Measure Range" means, in respect of a Class of Notes, each number greater than the Maximum Moody's Metric Measure of such Class of Notes but less than or equal to the Moody's Metric Threshold.

"Moody's PF Applicable Recovery Rate" means with respect to any PF Reference Obligation of a PF Reference Entity, the applicable recovery rate (expressed as a percentage) as specified by Moody's to the Portfolio Swap Counterparty on or before the date upon which such PF Reference Obligation is included in the Reference Portfolio.

"Moody's Rating" means, as at any date of determination, and:

- (a) in respect of a corporate entity or its obligations, the Moody's Long Term Rating assigned by Moody's as at such date or, if such rating is not then available, the Moody's Issuer Rating assigned by Moody's as at such date or, if such rating is not then available, the Moody's Corporate Family Rating assigned by Moody's as at such date to such corporate entity or its obligations (where each of Moody's Long Term Rating, Moody's Issuer Rating and Moody's Corporate Family Rating means, in respect of a corporate entity, the published rating (if any) described as such in the Moody's Issuer Ratings Delivery Service in respect of such corporate entity); and
- (b) in respect of an asset backed debt obligation, if there is a rating published by Moody's of such asset backed debt obligation, the most current rating for such asset backed debt obligation;

Provided that, in the case of both (a) and (b) above (but other than for the purposes of determining the occurrence of an ABS Reference Entity Credit Event where, for the avoidance of doubt, reference shall only be had to ratings published by Moody's), in the absence of such a published rating and at the option of the Portfolio Swap Counterparty, "Moody's Rating" shall mean an equivalent form of rating by Moody's in respect of such entity or its obligations as selected by the Portfolio Swap Counterparty in its absolute discretion, and *provided further that*, for the purposes of the Moody's Trading Model, "Moody's Rating" shall be construed solely in accordance with the guidelines applicable thereto.

"Moody's Trading Model" means a dynamic, analytical computer model developed by Moody's and delivered to the Portfolio Swap Counterparty on or prior to the Registry Compilation Date (or such replacement therefor or variation thereof as the Portfolio Swap Counterparty and Moody's may agree in writing from time to time) used to obtain the Moody's Metric Measure for any Class of Notes with a specific Moody's Rating and which is applied in accordance with the terms of the guidelines specified therein (or such replacement therefor or variation thereof as the Portfolio Swap Counterparty and Moody's may agree from time to time) and in the additional guidelines specified in the Moody's guidelines memorandum which is attached to the Portfolio Credit Swap as Schedule 4 (*Moody's Guidelines Memorandum*) (or such replacement therefor or variation thereof as the Portfolio Swap Counterparty and Moody's may agree from time to time).

The **"Moody's Trading Model Test"** is satisfied as at any time with respect to a Replacement (after giving effect to such Replacement together with any other Replacements made in the same Replacement Sequence) if:

- (a) the Moody's Metric Measure of each Class of Notes is lower than or equal to the Maximum Moody's Metric Measure of such Class of Notes; or
- (b) in respect of each Class of Notes:
 - (A) in relation to which the Moody's Metric Measure of such Class of Notes is within the Moody's Permissible Metric Measure Range for such Class of Notes prior to the commencement of the relevant Replacement Sequence which includes the relevant Replacement, the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or
 - (B) in relation to which the Moody's Metric Measure of such Class of Notes is greater than the Moody's Metric Threshold of such Class of Notes prior to the commencement of the relevant Replacement Sequence which includes the relevant Replacement:
 - (i) the Moody's Metric Measure of such Class of Notes is reduced to less than or equal to the Moody's Metric Threshold of such Class of Notes;
 - (ii) the Super-Senior Trading Test is satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby; or
 - (iii) the Controlling Class Trading Test is satisfied and the Moody's Metric Measure of such Class of Notes is maintained or improved thereby.

"Obligor Concentration Limit" means:

- (a) in respect of a Reference Entity and each of the Direct Portfolios, the Reference Entity Notional Amount of such Reference Entity as a percentage of the Initial Reference Portfolio Size; and
- (b) in respect of a Corporate Reference Entity and the Inner Tranche Portfolios, the Reference Entity Notional Amount of such Corporate Reference Entity as a percentage of the Aggregate Initial Inner Tranche Portfolio Size.

"PF Direct Portfolio Obligation Weighted Average Life" means for any PF Reference Obligation of a PF Reference Entity and as of any date of determination, the amounts reasonably determined by the Portfolio Swap Counterparty to be the sum of the products obtained by multiplying each principal repayment instalment expected in respect of such PF Reference Obligation by the number of years between such date of determination and the date that the Portfolio Swap Counterparty reasonably expects such instalment to be paid divided by the outstanding principal balance of such obligation as at such date of determination; **provided that**, for the avoidance of doubt, if, in the reasonable opinion of the Portfolio Swap Counterparty,

the outstanding principal balance of a PF Reference Obligation is reduced to zero, the PF Direct Portfolio Obligation Weighted Average Life thereof shall be zero.

"PF Direct Portfolio Weighted Average Life" is calculated as of any date of determination by:

- (a) summing the products obtained by multiplying the Reference Obligation Notional Amount of each PF Reference Entity in the PF Direct Portfolio by the PF Direct Portfolio Obligation Weighted Average Life thereof;
- (b) dividing such sum by the aggregate Reference Entity Notional Amounts of all PF Direct Portfolio Reference Entities; and
- (c) rounding the result up to one decimal place.

"S&P" means Standard and Poor's Rating Services, a division of McGraw-Hill Companies, Inc. or any successor thereto.

"S&P Rating" means (a) with respect to a corporate entity or its obligations, if there is a corporate issuer credit rating of such entity published by S&P, the most current corporate issuer credit rating for such corporate entity; and (b) in respect of an asset backed debt obligation, if there is a rating published by S&P of such asset backed debt obligation, the most current rating for such asset backed debt obligation; **Provided that**, in the case of both (a) and (b) above (but other than for the purposes of determining the occurrence of an ABS Reference Entity Credit Event where, for the avoidance of doubt, reference shall only be had to ratings published by S&P), in the absence of such a published rating and at the option of the Portfolio Swap Counterparty, **"S&P Rating"** shall mean an equivalent form of rating published by S&P in respect of such entity or its obligations as selected by the Portfolio Swap Counterparty in its absolute discretion.

"Special Written Resolution" means a resolution in writing signed by or on behalf of holders of Notes of the Controlling Class (who for the time being are entitled to receive notice of a meeting of Noteholders of that Class under the Note Trust Deed), which Notes have an aggregate Initial Principal Balance equal or greater than 50 per. cent of the Initial Principal Balance of the Notes of the Controlling Class then outstanding. Such a resolution in writing may be contained in a document or several documents in the same form, each signed by or on behalf of one or more of the holders of the Notes of the Controlling Class and shall take effect on the date of the final such signature.

"Super-Senior Approved Replacement Period " means a quarterly, semi-annual, annual or such other period ending on or before the Scheduled Amortisation Commencement Date as a Super-Senior Swap Counterparty may in its absolute discretion select and notify in writing to the Portfolio Swap Counterparty. For the avoidance of doubt, in selecting any such period a Super-Senior Swap Counterparty shall not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer, the Noteholders or the Portfolio Swap Counterparty, but will make such selection which it deems to be in its interests having regard solely to the terms of the relevant Super-Senior Swap, which may be adverse to the interests of the Issuer, the Noteholders and/or the Portfolio Swap Counterparty. A Super-Senior Swap Counterparty will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer, the Noteholders or the Portfolio Swap Counterparty.

"Super-Senior Swap" means a super-senior portfolio credit default swap transaction (if any) documented under, and constituted by, an ISDA master agreement together with a schedule relating thereto, entered into between the Portfolio Swap Counterparty (as the "protection buyer") and a Super-Senior Swap Counterparty (as the "protection seller"), the terms of which refer to the Portfolio Credit Swap and provide for the amounts (if any) payable by such Super-Senior Swap Counterparty to be determined, *inter alia*, by reference to payments and/or determinations made under the Portfolio Credit Swap.

"Super-Senior Swap Counterparty" means a counterparty to a Super-Senior Swap entered into with the Portfolio Swap Counterparty, **provided that** such counterparty may not be an Affiliate of the Portfolio Swap Counterparty.

For the avoidance of doubt, a Super-Senior Swap Counterparty (if any) shall not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer, the Noteholders or the Portfolio Swap Counterparty, but will take such actions as are permitted under the relevant Super-Senior Swap which it deems to be in its interests, which may be adverse to the interests of the Issuer, the Noteholders and/or the Portfolio Swap Counterparty. A Super-Senior Swap Counterparty (if any) will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer, the Noteholders or the Portfolio Swap Counterparty.

"Super-Senior Swap Portfolio " means a reference portfolio referenced in a Super-Senior Swap.

The **"Super-Senior Trading Test"** is satisfied as at any time (or, if a Super-Senior Approved Replacement Period has been specified by a Super-Senior Swap Counterparty, during such Super-Senior Approved Replacement Period) in respect of a Replacement (together with any other Replacements made in the same Replacement Sequence) if the Portfolio Swap Counterparty has confirmed in writing to each of the Issuer and the Note Trustee (with a copy to Moody's) that a Super-Senior Swap Counterparty has confirmed in writing to the Portfolio Swap Counterparty that it has consented to the Portfolio Swap Counterparty either: (i) making the identical replacements to the relevant Super-Senior Swap Portfolio; or (ii) continuing to make replacements to the relevant Super-Senior Swap Portfolio in accordance with the Trading Guidelines during the Super-Senior Approved Replacement Period specified by such Super-Senior Swap Counterparty.

"Tranche Thickness Amount" means, with respect to any Inner Tranche Portfolio, EUR 105,000,000.

"Whole Business Securitisation Security" means an asset-backed obligation issued pursuant to a form of securitisation which attaches to the general operating cash flow arising from a particular line or area of business of the originator and is secured by the business generating assets of the originator.

INVESTMENT AGREEMENT

The following description of the provisions relating to Investment Agreement consists of summaries of certain provisions of the Investment Agreement and is qualified by reference to the relevant provisions of the Investment Agreement. The description does not purport to be complete and prospective investors must refer to the Investment Agreement for detailed information.

Initial Investment

Pursuant to the Investment Agreement, the Issuer will, on the Closing Date invest the net proceeds of the issue of the Notes (being an amount equal to EUR 688,550,000) in a GIC Arrangement documented under the Investment Agreement dated the Closing Date and between, among others, the Issuer and the GIC Provider.

Subject to permitted repayments which may be made as described below and which may result in all of the Invested Funds being repaid as described below, the Investment Agreement will terminate on the earlier of the Legal Maturity Date or the date on which the Notes are redeemed in full.

"**Invested Funds**" means, for any GIC Arrangement, the sum of all amounts deposited with or transferred to or at the direction of the Eligible GIC Provider less all amounts withdrawn from such GIC Arrangement (other than payments of GIC Interest).

GIC Interest

Interest shall accrue on a daily basis on the outstanding balance of the Invested Funds during the period from and including the Closing Date up to but excluding the GIC Termination Date, at the GIC Interest Rate. Such interest shall be paid to the Issuer in arrear on each Payment Date in immediately available same day funds. GIC Interest will be calculated by the GIC Provider on an actual/360 day count basis and notified to the Issuer and the Administrator prior to the first day of each relevant Interest Period.

The "**GIC Termination Date**" means the earlier of the Legal Maturity Date or the date on which the Notes are redeemed in full.

The "**GIC Interest Rate**" for any Interest Period means EURIBOR flat.

Issuer Payments and Repayments of Invested Funds

To the extent the Issuer is required to pay any principal amount due on the Notes and/or a Noteholder Contribution is applicable as part of any Cash Settlement Amount due under the Portfolio Credit Swap, the Issuer will, subject to the Collateral Realisation Procedures, request repayment of the Invested Funds under the Investment Agreement to the extent required to make such payment and pay such amount into the Principal Collections Account. The Investment Agreement provides for the repayment of Invested Funds to the Issuer to the extent that the Issuer is required, pursuant to the Collateral Switch Agreement, to reinvest Collateral Principal Proceeds in an Alternative Collateral Arrangement.

Reinstatement Amounts

If on any Payment Date, the Adjusted Principal Balance of the Notes is to be increased by a Reinstatement Amount pursuant to the Conditions, the Issuer is required, on such date, to transfer to the GIC Provider an amount equal to such Reinstatement Amount and the GIC Provider shall take delivery of such amount in accordance with the terms of the Investment Agreement.

Termination of Investment Agreement

Termination upon default, insolvency, downgrade or tax event

Subject to the general provisions relating to the termination of the Investment Agreement described below, the Investment Agreement may be terminated by the Issuer upon the expiry of not less than five Business Days written notice to the GIC Provider, and shall be terminated by the Issuer if so directed by an Extraordinary Resolution of the Controlling Class, in the event that:

- (a) an Event of Default occurs under the Investment Agreement; or
- (b) the GIC Guarantor's long-term unsecured debt obligations are rated below A1 by Moody's or the GIC Guarantor's short-term unsecured debt obligations are rated below P-1 by Moody's (the "**GIC Guarantor Minimum Required Rating**") (each downgrade being a "**GIC Guarantor Downgrade Event**") and the GIC Provider fails to, within 10 Business Days of any such GIC Guarantor Downgrade Event, assign the Investment Agreement to an alternative financial institution or obtain a replacement guarantee of the GIC Provider's obligations, each in accordance with the terms of the Investment Agreement.

For the purposes of the Investment Agreement, an "**Event of Default**" means:

- (a) failure by the GIC Provider and the GIC Guarantor on behalf of the GIC Provider to make any payment when due pursuant to the provisions of the Investment Agreement and the GIC Guarantee, respectively;

- (b) the occurrence of a GIC Insolvency Event;
- (c) any other failure by the GIC Provider to perform or observe any of its material obligations under the Investment Agreement (other than a failure to take any remedial action following a GIC Guarantor Downgrade Event) when such failure continues for 5 Business Days or more after written notice thereof has been given by the Security Trustee to the GIC Provider; or
- (d) the expiration, termination (other than pursuant to its terms), or repudiation of the GIC Guarantee or any other event which causes the GIC Guarantee to cease to be in full force and effect or any action by the GIC Guarantor which challenges the validity of the GIC Guarantee.

A "**GIC Insolvency Event**" will occur if the GIC Provider or the GIC Guarantor becomes unwilling to act or incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or any substantial part of its property, or if an administrator, liquidator or administrative or other receiver of it or of all or a substantial part of its property is appointed, or if an order of any court is entered approving any petition filed by it or against it under the provisions of any applicable bankruptcy or insolvency law or if a public officer takes charge or control of such party or of its property or affairs for the purpose of rehabilitation, administration or liquidation.

General conditions relating to termination of the Investment Agreement

Termination of the Investment Agreement (other than in accordance with its terms) may only occur with the written consent of the Security Trustee and the Portfolio Swap Counterparty. Notice of the termination of the Investment Agreement must be delivered to the Administrator, the Portfolio Swap Counterparty, the Security Trustee and each Rating Agency.

Termination of the Investment Agreement will, unless such termination is in connection with a collateral switch, also be subject to (a) the appointment of a substitute GIC Provider by the Issuer, as approved in writing by the Security Trustee and the Portfolio Swap Counterparty (and, in the case of the retirement of the GIC Provider, the GIC Provider) and is effective not later than the date of the termination of the Investment Agreement, (b) the substitute entity has entered into an agreement with the Issuer, the Security Trustee and the Portfolio Swap Counterparty substantially on the terms of the Investment Agreement, but subject to the Security Documents or equivalent security documentation, and (c) the substitute entity has the GIC Guarantor Minimum Required Rating or its obligations under the relevant replacement agreement are unconditionally and irrevocably guaranteed by an entity with the GIC Guarantor Minimum Required Rating.

The Issuer shall promptly following the entry by the substitute entity into a replacement agreement (a) notify each Rating Agency in writing and the Noteholders in accordance with Condition 17 (*Notices*) of the identity of such substitute entity and (b) assign its interest in such agreement and any accounts created thereunder in favour of the Security Trustee pursuant to the Security Documents, *mutatis mutandis*, to the satisfaction of the Security Trustee.

GIC Tax Event

If a GIC Tax Event occurs in respect of the Investment Agreement, the GIC Provider must promptly notify the Issuer of the same.

Upon notification of the occurrence of a GIC Tax Event, the Issuer is required to notify the Portfolio Swap Counterparty accordingly.

A "**GIC Tax Event**" will occur if any amount of GIC Interest will or there is a substantial likelihood that the payment of any amount of GIC Interest is or there is a substantial likelihood that it will within 90 days of the date of such determination (such determination being made by the Issuer relying on an opinion of independent legal advisers of recognised standing) be subject to deduction or withholding for or on account of any tax or subject to tax or the GIC Provider will be, on the next succeeding Payment Date, required to deduct or withhold an amount on account of Tax from any amount payable to the Issuer under the Investment Agreement in respect of the Invested Funds.

Replacement of GIC Provider

The GIC Provider may, subject to certain conditions and upon giving at least 30 calendar days but not more than 60 calendar days prior written notice to the Issuer, the Security Trustee and the Portfolio Swap Counterparty, choose to substitute a branch, affiliate or agency of KBC Bank, as the counterparty under the Investment Agreement.

GIC Guarantee

Pursuant to the terms of the GIC Guarantee, KBC Bank as "**GIC Guarantor**" will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the GIC Provider in accordance with the terms of the Investment Agreement.

Governing law of the Investment Agreement

The Investment Agreement will be governed by English law.

COLLATERAL SWITCH AGREEMENT AND CASH COLLATERALISATION

The following description of the provisions relating to the Collateral Switch Agreement consists of summaries of certain provisions of the Collateral Switch Agreement and is qualified by reference to the relevant provisions of the Collateral Switch Agreement. The description does not purport to be complete and prospective investors must refer to the applicable Collateral Switch Agreement for detailed information.

Collateral Switch Agreement

On the Closing Date, the Issuer will enter into a collateral switch agreement (as amended, supplemented, novated or otherwise modified from time to time, the "**Collateral Switch Agreement**") with, among others, the Portfolio Swap Counterparty and the Security Trustee.

Portfolio Swap Counterparty's Rights under the Collateral Switch Agreement

The Portfolio Swap Counterparty may, at any time and from time to time after the Closing Date, by not less than 10 Business Days prior written notice to the Issuer, the Administrator, the Security Trustee and the Note Trustee:

- (a) designate a Business Day as a Collateral Switch Date; and
- (b) instruct the Issuer, as at such Collateral Switch Date and subject to the satisfaction of the Collateral Switch Conditions, to terminate the then current Applicable Collateral Arrangement and to reinvest the Collateral Principal Proceeds in an Alternative Collateral Arrangement; in particular to reinvest the Collateral Transfer Amount in one or more GIC Arrangements, one or more TRS Arrangements and/or one or more Repo Arrangements.

Promptly upon receipt of a written notice setting forth the Portfolio Swap Counterparty's instructions in relation to a collateral switch, the Issuer shall provide a copy thereof to the Rating Agencies and, subject to the satisfaction of the Collateral Switch Conditions, shall take all such steps as are necessary to give effect to such written instructions. For the avoidance of doubt, KBC Bank or any of its Affiliates may, subject only to the satisfaction of (i) the Eligible GIC Provider criteria, be an Eligible GIC Provider, (ii) the Eligible Repo Counterparty criteria, be an Eligible Repo Counterparty and (iii) the Eligible TRS Counterparty criteria, be an Eligible TRS Counterparty.

In exercising its rights under the Collateral Switch Agreement in relation to a collateral switch, the Portfolio Swap Counterparty will not act as an adviser, manager, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Collateral Switch Agreement and which it deems to be in its interests.

"**Collateral Switch Conditions**" means:

- (a) with respect to an investment of the Collateral Principal Proceeds (or part thereof) in a GIC Arrangement:
 - (1) the Issuer has provided written notice of the termination of the existing Collateral Arrangement and of the proposed re-investment to Moody's and Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected thereby;
 - (2) the Issuer has provided written notice of such termination and re-investment to Fitch; and
 - (3) the Issuer has granted to the Security Trustee security in respect of its rights, interests and benefits in respect of each investment agreement constituting the GIC Arrangement in a form satisfactory to the Security Trustee;
- (b) with respect to an investment of the Collateral Principal Proceeds (or part thereof) in a Repo Arrangement:
 - (1) the Issuer has provided written notice of the termination of the existing Collateral Arrangement and of the proposed re-investment to Moody's and Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected thereby;
 - (2) the Issuer has provided written notice of such termination and re-investment to Fitch;
 - (3) the Issuer has (A) entered into a Repurchase Agreement in the Approved Form with an Eligible Repo Counterparty and applied the Collateral Principal Proceeds (or part thereof) to purchase from such Eligible Repo Counterparty Eligible Investments having an aggregate Market Value at least equal to the amount of such Collateral Principal Proceeds pursuant to such Repurchase Agreement and (B) entered into a Custody Agreement in the Approved Form with an Eligible Custodian pursuant to which the Eligible Custodian is required to agree, among other things, to hold in custody the Eligible Investments purchased by the Issuer pursuant to the Repurchase Agreement; and
 - (4) the Issuer has granted to the Security Trustee security in respect of its rights, interests and benefits in respect of the Repurchase Agreement and the Custody Agreement in a form satisfactory to the Security Trustee;
- (c) with respect to an investment of the Collateral Principal Proceeds (or part thereof) in a TRS Arrangement:

- (1) the Issuer has provided written notice of the termination of the existing Collateral Arrangement and of the proposed re-investment to Moody's and Moody's has provided written confirmation to the Issuer that its then current rating of the Notes of each Class rated by it would not be adversely affected thereby;
- (2) the Issuer has provided written notice of such termination and re-investment to Fitch;
- (3) the Issuer has executed the total return swap agreement, the debt securities purchase agreement (if any) and any ancillary documentation together constituting the TRS Arrangement each in a form satisfactory to the Security Trustee; and
- (4) the Issuer has granted, to the Security Trustee security in respect of its rights, interests and benefits in respect of each agreement constituting the TRS Arrangement in a form satisfactory to the Security Trustee.

"Collateral Switch Date" means any Business Day designated by the Portfolio Swap Counterparty as a date upon which the Collateral Principal Proceeds are to be reinvested in an Alternative Collateral Arrangement.

"Approved Form" means:

- (a) with respect to the Repurchase Agreement, substantially in the form of the repurchase agreement attached as Schedule 1 to the Collateral Switch Agreement; and
- (b) with respect to the Custody Agreement, substantially in the form of the custody agreement attached as Schedule 2 to the Collateral Switch Agreement,

in each case with such amendments as the Portfolio Swap Counterparty may consider to be appropriate at the relevant time as agreed with the Issuer.

"Alternative Collateral Arrangement" means with respect to a reinvestment of the Collateral Principal Proceeds after the Closing Date, any form of Collateral Arrangement other than the form of Collateral Arrangement in which the Collateral Principal Proceeds are currently invested.

"Applicable Collateral Arrangement" means as at any time any Collateral Arrangement or Collateral Arrangements in which the Collateral Principal Proceeds (or part thereof) are then invested.

"Collateral Realisation Procedures" means that for the purposes of funding any Cash Settlement Amount due under the Portfolio Credit Swap the Issuer will, first, apply funds standing to the credit of the Accounts (and which are, in accordance with the Pre-Enforcement Order of Priority and the Security Trust Deed, available for the payment of such obligations) and only to the extent that insufficient funds are available, second, withdraw cash from or sell securities representing the Applicable Collateral Arrangement to the extent required to make such payment, and in the event there is more than one Applicable Collateral Arrangement, first withdraw cash from any GIC Arrangement to the extent required to make such payment and second, only to the extent that insufficient funds are available and/or realised thereby (including, for the avoidance of doubt, pursuant to the enforcement of the GIC Guarantee), sell Repo Collateral to the Eligible Repo Counterparty to the extent necessary to realise sufficient additional funds required to make such payment and third, only to the extent that insufficient funds are available and/or realised thereby effect TRS Principal Realisations to the extent necessary to realise sufficient funds required to make such payment.

A **"GIC Arrangement"** means an arrangement whereby funds denominated in Euro are deposited with or transferred to or at the direction of an Eligible GIC Provider subject to the terms of a guaranteed investment contract or cash deposit agreement and any ancillary documentation (to be entered into by, at least, the Issuer, the Administrator and the relevant Eligible GIC Provider), and which arrangement provides (a) for periodic interest payments to the Issuer calculated by applying a rate of interest to the balance from time to time of the amount invested, (b) repayment (in whole or in part) to the Issuer of the amount invested to the extent that such funds are required by the Issuer to meet its payment obligations under the Transaction Documents or in connection with a transfer of Collateral Principal Proceeds after the Closing Date to an Alternative Collateral Arrangement, and (c) that payment of interest on and the repayment of the principal amount of the funds invested in such arrangement are guaranteed (or otherwise supported or insured) by or are a primary obligation of the relevant Eligible GIC Provider.

"Eligible GIC Provider" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guaranty insurance policy in a form acceptable to the Rating Agencies, and which is or is to be a counterparty to the Issuer under a GIC Arrangement. For the avoidance of doubt, KBC Bank or any of its Affiliates may, subject only to the satisfaction of the Eligible GIC Provider criteria, be an Eligible GIC Provider.

Governing law

The Collateral Switch Agreement will be governed by, and will be construed in accordance with, English law. The parties to the Collateral Switch Agreement will, for the benefit of the Security Trustee, submit to the non-exclusive jurisdiction of the English Courts for all purposes in connection with the Collateral Switch Agreement.

THE APPROVED FORM REPURCHASE AGREEMENT AND THE APPROVED FORM CUSTODY AGREEMENT

The following descriptions of the Approved Form of the Repurchase Agreement and the Approved Form of the Custody Agreement consist of summaries of certain provisions of the form of the Repurchase Agreement and the Custody Agreement each as scheduled to the Collateral Switch Agreement and are qualified by reference to the provisions thereof. The descriptions do not, however, restate the terms of either the Approved Form of the Repurchase Agreement or the Approved Form of the Custody Agreement in their entirety and prospective investors must refer to the Approved Form of the Repurchase Agreement and the Approved Form of the Custody Agreement, as appropriate, for detailed information.

Approved Form of the Repurchase Agreement

Pursuant to the Collateral Switch Agreement, on a Collateral Switch Date, the Issuer may be required to enter into a Repurchase Agreement with an Eligible Repo Counterparty. The Issuer will also be required to enter into a Custody Agreement in the Approved Form with an Eligible Custodian pursuant to which the Eligible Custodian will be required to agree, among other things, to hold in custody the Eligible Investments purchased by the Issuer pursuant to the Repurchase Agreement.

The following descriptions of the Approved Form of the Repurchase Agreement, the Repo Guarantee and the Approved Form of the Custody Agreement shall only apply if, and to the extent that, at such time the Applicable Collateral Arrangement is or includes a Repo Arrangement.

Form of Repurchase Agreement

The Repurchase Agreement will be documented under a PSA/ISMA Global Master Repurchase Agreement (1995 Version) as supplemented and amended by annexes attached thereto together with a confirmation. The Repurchase Agreement must be read in conjunction with the terms of the PSA/ISMA Global Master Repurchase Agreement (1995 Version) so supplemented and amended.

A "**Repurchase Agreement**" means a global master repurchase agreement in respect of Eligible Securities entered into on a Collateral Switch Date pursuant to the Collateral Switch Agreement and between the Issuer and the Eligible Repo Counterparty substantially in the form of the Approved Form of the Repurchase Agreement (together with any agreement for the time being in force amending, supplementing or novating such agreement).

Investment in a Repurchase Agreement

On any Collateral Switch Date, if so instructed by the Portfolio Swap Counterparty pursuant to the terms of the Collateral Switch Agreement and subject to the satisfaction of the Collateral Switch Conditions, the Issuer shall apply all or part of the Collateral Principal Proceeds to purchase from an Eligible Repo Counterparty Eligible Investments having an aggregate Market Value at least equal to such Collateral Principal Proceeds at a purchase price equal to such Collateral Principal Proceeds pursuant to one or more Repurchase Agreements in the Approved Form.

The "**Eligible Repo Counterparty**" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guarantee insurance policy in a form acceptable to the Rating Agencies, and which is or is to be a counterparty to the Issuer under a Repurchase Agreement and, in each case, in such capacity and including any Successor thereto. For the avoidance of doubt, KBC Bank or any of its affiliates may, subject only to the satisfaction of the Eligible Repo Counterparty criteria, be an Eligible Repo Counterparty.

The "**Eligible Custodian**" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guarantee insurance policy in a form acceptable to the Rating Agencies, as may be selected by the Portfolio Swap Counterparty in accordance with the terms of the Collateral Switch Agreement. For the avoidance of doubt, KBC Bank or any of its affiliates may, subject only to the satisfaction of the Eligible Custodian criteria, be an Eligible Custodian.

Initial Purchase

On the Collateral Switch Date on which a Repurchase Agreement is executed, if so instructed, the Issuer shall enter into a transaction (the "**Initial Transaction**") with the Eligible Repo Counterparty and apply the Collateral Transfer Amount to purchase from an Eligible Repo Counterparty Eligible Investments (denominated in Dollars, Euro and/or Sterling and having an aggregate Market Value at least equal to the aggregate Adjusted Principal Balance of the Notes (or a part thereof equal to the Collateral Transfer Amount)) at a purchase price (the "**Initial Purchase Price**") equal to the Adjusted Principal Balance of the Notes (or a part thereof equal to the Collateral Transfer Amount).

Further Purchases

If on any Payment Date the Adjusted Principal Balance of any Note is increased pursuant to a Reinstatement Amount in accordance with the Conditions, the Issuer will apply an amount equal to such Reinstatement Amount in the purchase of

additional Eligible Investments from an Eligible Repo Counterparty. Such additional Eligible Investments will constitute additional Repo Collateral.

Repo Collateral

"Repo Collateral" means, at any time, all cash amounts and/or Eligible Investments (denominated in Dollars, Euro and/or Sterling) purchased by the Issuer from any Eligible Repo Counterparty or delivered by the Eligible Repo Counterparty to the Issuer by way of Euro cash margin or substitution (or, if applicable, the cash proceeds thereof) pursuant to the Repurchase Agreement and which, at such time, have not been repurchased by or redelivered to the Eligible Repo Counterparty.

Eligible Investments

"Eligible Investment" means:

- (a) any obligation of an OECD Government that (1) is, when purchased as or added to Purchased Securities or when transferred as Margin Securities, rated at least AA- by Fitch and Aa3 by Moody's, (2) is either a direct obligation of such OECD Government or guaranteed by such OECD Government which guarantee is unconditional but for any requirement for the beneficiary to give notice that payment is due under such guarantee or similar procedural requirement for the payment or repayment of money, (3) is in the form of or represented by a bond, note (other than notes delivered pursuant to loans), certificated debt security or other debt security, (4) ranks at least *pari passu* with the obligations of such OECD Government that are neither subordinated by their terms (or otherwise) nor secured, (5) is payable in an amount equal to its stated principal amount, (6) is not repayable in an amount determined by reference to any formula or index, (7) the repayment of which is not, pursuant to the terms of such obligation, subject to any contingency, (8) is denominated in Dollars, Euro or Sterling, (9) has a remaining life equal to or less than 10 years, (10) in the case of a Belgian Government Obligation, is an obligation in dematerialised form and held in an exempt X-Account in the X/N Clearing System operated by the National Bank of Belgium or any successor operator appointed in connection therewith, and (11) in the case of any obligation which is not a Belgian Government Obligation, is traded as a fungible security in a clearing system operated by a Repo Collateral Clearing System and is held on behalf of the Issuer in a custody securities account located in Belgium; **Provided that** the Eligible Repo Counterparty and the Issuer agree that, notwithstanding the foregoing, obligations of the government or any other governmental authority or the relevant sovereign or sovereign agency of the Kingdom of the Netherlands or of the Republic of Portugal shall not be treated as Eligible Investments unless and until each Rating Agency has confirmed that the then current rating of the Notes will not be adversely affected thereby;
- (b) any corporate or Asset Backed Security obligation that (1) is (A) a Pfandbrief security, (B) an Asset Backed Security which is backed by credit card receivables, residential mortgages or commercial mortgages, (C) a CDO of ABS Security, or (D) a security issued by Kreditanstalt für Wiederaufbau, (2) is, when purchased as or added to Purchased Securities or when transferred as Margin Securities, rated at least AA- by Fitch and Aa3 by Moody's, (3) is in the form of or represented by a bond, note (other than notes delivered pursuant to loans), certificated debt security or other debt security, (4) is denominated in Dollars, Euro or Sterling, (5) has a remaining life equal to or less than 10 years, (6) is traded as a fungible security in a clearing system operated by a Repo Collateral Clearing System and is held on behalf of the Issuer in a custody securities account located in Belgium, and (7) if the issuer or obligor of such obligation is Belgian, is an obligation in dematerialised form and held in an exempt X-Account in the X/N clearing system operated by the National Bank of Belgium or any successor operator appointed in connection therewith;
- (c) any Asset Backed Security that (1) is, when purchased as or added to Purchased Securities or when transferred as Margin Securities, rated at least Aaa by Moody's, (2) is in the form of or represented by a bond, note (other than notes delivered pursuant to loans), certificated debt security or other debt security, (3) is a type of obligation in respect of which the Eligible Repo Counterparty has provided the Issuer and the Note Trustee with written confirmation from each Rating Agency that, if such obligation type were to constitute an Eligible Investment, the then current ratings of the Notes by such Rating Agency would not be adversely affected thereby, (4) is denominated in Dollars, Euro or Sterling, (5) has a remaining life equal to or less than 10 years, (6) is traded as a fungible security in a clearing system operated by a Repo Collateral Clearing System and is held on behalf of the Issuer in a custody securities account located in Belgium, and (7) if the issuer or obligor of such obligation is Belgian, is an obligation in dematerialised form and held in an exempt X-Account in the X/N clearing system operated by the National Bank of Belgium or any successor operator appointed in connection therewith;
- (d) any commercial paper obligation that (1) is, when purchased as or added to Purchased Securities or when transferred as Margin Securities, rated at least F1 by Fitch or P-1 by Moody's, (2) is denominated in Dollars, Euro or Sterling, (3) has a remaining maturity of not more than 365 days, (4) is traded as a fungible security in a clearing system operated by a Repo Collateral Clearing System and is held on behalf of the Issuer in a custody securities account located in Belgium, and (5) if the issuer or obligor of such obligation is Belgian, is an obligation in dematerialised form and held in an exempt X-Account in the X/N clearing system operated by the National Bank of Belgium or any successor operator appointed in connection therewith;
- (e) any money market fund obligation that (1) is, when purchased as or added to Purchased Securities or when transferred as Margin Securities, rated in the highest investment category assigned to such money market funds by S&P or Moody's, (2) is in the form of or represented by a bond, note (other than notes delivered pursuant to loans), certificated debt security or other debt security, (3) is denominated in Dollars, Euro or Sterling, (4) is traded as a fungible security

in a clearing system operated by a Repo Collateral Clearing System and is held on behalf of the Issuer in a custody securities account located in Belgium, and (5) if the issuer or obligor of such obligation is Belgian, is an obligation in dematerialised form and held in an exempt X-Account in the X/N clearing system operated by the National Bank of Belgium or any successor operator appointed in connection therewith; or

- (f) any corporate or Asset Backed Security or other obligation that (1) is so designated by the Eligible Repo Counterparty as an Eligible Investment for the purposes of the Repurchase Agreement, (2) is a type of obligation in respect of which the Eligible Repo Counterparty has provided the Issuer and the Note Trustee with written confirmation from each Rating Agency that, if such obligation type were to constitute an Eligible Investment, the then current ratings of the Notes by such Rating Agency would not be adversely affected thereby, (3) is, when purchased as or added to Purchased Securities or when transferred as Margin Securities, rated at least AA- by Fitch and Aa3 by Moody's, (4) is in the form of or represented by a bond, note (other than notes delivered pursuant to loans), certificated debt security or other debt security, (5) is denominated in Dollars, Euro or Sterling, (6) has a remaining life equal to or less than 10 years, (7) is traded as a fungible security in a clearing system operated by a Repo Collateral Clearing System and is held on behalf of the Issuer in a custody securities account located in Belgium, and (8) if the issuer or obligor of such obligation is Belgian, is an obligation in dematerialised form and held in an exempt X-Account in the X/N clearing system operated by the National Bank of Belgium or any successor operator appointed in connection therewith.

For the avoidance of doubt, any obligation satisfying the criteria set out in the definition of "Eligible Investments" shall not be purchased by or transferred to the Issuer as Repo Collateral if it is of a kind such that it would constitute a "Net Paying Security" (as such term is defined in the Repurchase Agreement).

In determining whether any particular obligation type would, if it were to constitute an Eligible Investment, adversely affect the then current ratings of the Notes, each Rating Agency may, without limitation, have regard to any increase in the Repo Margin that the Eligible Repo Counterparty proposes designating if such obligation type were to constitute an Eligible Investment.

For the purposes of the Repurchase Agreement, "Asset Backed Security" means any obligation that, in the reasonable commercial judgment of the Eligible Repo Counterparty, is either:

- (a) a security or an obligation that is evidenced by a certificate that is primarily serviced by the cash flows of a portfolio of receivables (whether present or future) or other assets including, without limitation, securities, loans or synthetic assets, either fixed or revolving, together with any rights or other assets designed to assure the servicing or timely distribution of proceeds to the holders thereof; or
- (b) an "asset-backed security" as such term may be defined from time to time in the "General Instructions to Form S-3 Registration Statement" promulgated under the U.S. Securities Act of 1933, as amended.

For the purposes of the Repurchase Agreement, "CDO of ABS Security" means a security in respect of which, in the reasonable commercial judgment of the Eligible Repo Counterparty, the issuer thereof funds the majority of its payments from the cash flows of a portfolio of Asset-Backed Securities.

A "**Belgian Government Obligation**" means a direct obligation of the Kingdom of Belgium or which is guaranteed by the Kingdom of Belgium.

"**DTC**" means The Depository Trust Company or any successor depository.

An "**OECD Government**" means the government or other governmental authority or the relevant sovereign or sovereign agency of the Federal Republic of Germany, the Republic of France, the Kingdom of Belgium, the Kingdom of Spain, the Kingdom of the Netherlands, the Republic of Austria, the Republic of Ireland, the Republic of Italy, the Republic of Portugal and such other OECD member country or state so designated by the Eligible Repo Counterparty **provided that** the Eligible Repo Counterparty has provided a written confirmation to the Issuer and the Note Trustee from each Rating Agency that the then current ratings of each Class of Notes would not be adversely affected due to such designation.

A "**Pfandbrief**" security is a form of collateralised bond backed by a pool of mortgages or public sector assets and issued by a German mortgage bank or Landesbank under specific legislation which gives a holder thereof certain preferential rights to the underlying assets in the event of the insolvency of the issuing institution.

"**Purchased Securities**" means the Eligible Investments sold or to be sold by the Eligible Repo Counterparty to the Issuer and any alternative Eligible Investments transferred by the Eligible Repo Counterparty in substitution or exchange for existing Eligible Investments held by the Issuer.

"**Repo Collateral Clearing System**" means any of DTC, Euroclear and Clearstream, Luxembourg and such other settlement systems through which transactions under the Repurchase Agreement may settle.

Income on Repo Collateral

The Eligible Custodian, on behalf of the Issuer, will, subject to the provisions of the Repurchase Agreement and the Custody Agreement, pay directly to the Eligible Repo Counterparty all Income received by the Eligible Custodian (on behalf of the Issuer) in respect of the Repo Collateral. Any Income so applied will be released from the Security and will no longer form part of the Charged Assets. Pursuant to the terms of the Repurchase Agreement and the Custody Agreement, if and to the extent that a payment of Income would result in a Collateral Value Deficiency or would increase any Collateral Value

Deficiency, the Eligible Custodian will pay any Income received by it into the Repo Collections Account denominated in the relevant currency. Pursuant to the Conditions and if the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Issuer will apply, or cause to be applied, amounts standing to the credit of the Repo Collections Accounts to pay to the Eligible Repo Counterparty any Income then constituting Repo Collateral **provided that** the Issuer shall not make any payment or transfer of Income to the Eligible Repo Counterparty if and to the extent that such payment would result in a Collateral Value Deficiency or would increase any Collateral Value Deficiency.

Substitution of Repo Collateral

The Repurchase Agreement will permit the Eligible Repo Counterparty to deliver to the Eligible Custodian, on any Business Day, for deposit into the Custody Account, alternative Eligible Investments in substitution or exchange for existing Repo Collateral subject to the Repurchase Agreement, **provided that** such substitution or exchange does not result in the creation or increase of a Collateral Value Deficiency. A Collateral Value Deficiency will exist if the Market Value of the Repo Collateral together with any Income received thereon but not yet paid to the Eligible Repo Counterparty is less than the Required Minimum Collateral Value (as more fully described below). Any Eligible Investments so delivered to the Eligible Custodian will constitute Repo Collateral and any Eligible Investments so returned to the Eligible Repo Counterparty will reduce the Repo Collateral accordingly. Any Repo Collateral withdrawn from the Custody Account and/or a Repo Collections Account and returned to the Eligible Repo Counterparty pursuant to such a substitution or exchange will be released from the Security and will no longer form part of the Charged Assets.

On any Business Day upon which the Issuer holds Eligible Investments which cease to be Compliant Eligible Investments, the Eligible Repo Counterparty will deliver to the Issuer Eligible Investments with an aggregate Market Value at least equal to such non Compliant Eligible Investments or, as the case may be, cash amounts in substitution thereof. Such substituted Eligible Investments delivered to the Issuer will constitute Repo Collateral.

"Compliant Eligible Investments" means Eligible Investments which are at any relevant time (a) in the case of Belgian Government Obligations, dematerialised securities issued by the Kingdom of Belgium, and admitted to and cleared in the X/N Clearing System, currently operated by the National Bank of Belgium, (b) in the case of Eligible Investments which are not Belgian Government Obligations, (1) securities other than (A) securities governed by the Belgium law of 2 January 1991 on the market of public debt and monetary policy instruments, (B) debt securities governed by the law of 22 July 1991 or (C) securities issued in dematerialised form by Belgian companies under article 468 of the Belgian Company Code, as amended by the Belgian Collateral Law (as defined in the Repurchase Agreement), (2) securities that are in compliance with the criteria set out in Article 2 of the Co-ordinated Royal Decree No. 62 on the custody of fungible financial instruments and the settlement of transactions on these financial instruments, (3) securities that are freely transferable in accordance with their governing law and their terms and conditions, without any restrictions as to the creation of a security interest (other than pursuant to the Transaction Documents) and are traded on a fungible basis; and (4) in the case of securities which are issued by a Belgian resident issuer, securities which are credited to an exempt X-Account in the X/N Clearing System.

Downgrading of Eligible Investments

If any Eligible Investments then constituting part of the Repo Collateral are downgraded below the rating required as at the time of their purchase by or transfer to the Issuer as Eligible Investments, then the Eligible Repo Counterparty will, within 30 calendar days of such downgrade, substitute Eligible Investments with an aggregate Market Value at least equal to the Market Value of such downgraded securities in replacement of such downgraded securities, unless the Eligible Repo Counterparty has received written confirmation from each Rating Agency that the then current ratings of the Notes would not be adversely affected thereby, or the Issuer will either realise Repo Collateral to invest the funds realised thereby pursuant to an Alternative Collateral Arrangement to the extent required to preserve the then current ratings of each Class of Notes or will agree with the Eligible Repo Counterparty upon an increased Repo Margin. Any replacement Eligible Investments transferred to the Issuer in such circumstances will constitute replacement Repo Collateral.

Issuer Payments and repurchase of Equivalent Securities

To the extent the Issuer is required to pay any principal amount due on the Notes and/or a Noteholder Contribution is applicable as part of any Cash Settlement Amount due under the Portfolio Credit Swap (each an **"Issuer Payment"**) it will, subject to the Collateral Realisation Procedures, sell Repo Collateral to the Eligible Repo Counterparty to the extent necessary to realise the funds required to make such payment.

Accordingly, on each such date, the Eligible Repo Counterparty will repurchase Equivalent Securities in exchange for a cash amount denominated in Euro equal to the Issuer Payment then due (or, if a lesser amount, the Outstanding Repurchase Price) and the Initial Transaction will be adjusted on the relevant Payment Date as follows:

- (a) the Issuer will deliver to the Eligible Repo Counterparty an amount of Equivalent Securities having an aggregate Market Value equal, to the extent practicable, to the amount of the relevant Issuer Payment and the Eligible Repo Counterparty will pay to the Issuer a cash amount denominated in Euro which is equal to the amount of such Issuer Payment (or, if a lesser amount, the Outstanding Repurchase Price);
- (b) the securities and/or cash comprising the Repo Collateral will be reduced accordingly; and
- (c) on the relevant Payment Date the Purchase Price will be reduced by an amount equal to the Issuer Payment (or, if a lesser amount, the Outstanding Repurchase Price).

Except as discussed above, the terms of the Initial Transaction will not be affected by such adjustment.

Securities are "**equivalent to**" any other Eligible Investments if they are (a) of the same issuer, (b) part of the same issue and (c) of an identical type, nominal value, description and (except where otherwise stated) amount as those other Securities. If and to the extent that such Eligible Investments have been redeemed, the expression "equivalent to" means a sum of money equal to the proceeds of redemption. The term "**Equivalent Securities**" will be construed accordingly.

Ultimate Repurchase Obligation

On the Legal Maturity Date or such earlier date on which the last outstanding Notes are to be redeemed in whole, the Eligible Repo Counterparty will repurchase from the Issuer securities equivalent to all of the Repo Collateral on such date at a price denominated in Euro equal to the Outstanding Repurchase Price as at such date (the "**Ultimate Repurchase Obligation**").

The "**Outstanding Repurchase Price**" will, at any time, be the aggregate of the Purchase Price and the accrued and unpaid Repo Premium.

The "**Purchase Price**" will initially be the Initial Purchase Price and will (a) upon any repurchase by the Eligible Repo Counterparty of Eligible Investments, be reduced by the Euro cash amount paid by the Eligible Repo Counterparty and (b) upon a further purchase of Eligible Investments by the Issuer on any Payment Date, be increased by an amount equal to the relevant Reinstatement Amount (or the relevant Collateral Transfer Amount).

Repo Premium

Under the Repurchase Agreement, premium denominated in Euro ("**Repo Premium**") will accrue from time to time on the Purchase Price of the Repo Collateral and, on each Payment Date prior to the date the Ultimate Repurchase Obligation is fulfilled, the Eligible Repo Counterparty will pay to the Issuer the amount of Repo Premium accrued during the Interest Period ending on such Payment Date. Repo Premium will be determined by aggregating the amounts obtained by the daily application of (a) a per annum rate equal to EURIBOR flat (determined in accordance with the Conditions) (or such other rate as the Eligible Repo Counterparty, in its reasonable commercial opinion, may designate as being reflective of the then current market rates, **provided that** prior to any designation of such alternative rate, the Eligible Repo Counterparty has delivered to each of the Issuer and the Note Trustee a written confirmation that the then current ratings of each Class of Notes would not be adversely affected thereby, the Portfolio Swap Counterparty has consented to such variation and at such time the Portfolio Credit Swap has not been terminated) to (b) the Purchase Price, (on an actual/360 day count basis) for the actual number of days elapsed during such Interest Period.

Eligible Repo Counterparty Payments

All payments made by the Eligible Repo Counterparty for the repurchase of Eligible Investments will be deposited in the Principal Collections Account and distributed in accordance with the order of payments set out in the Security Trust Deed. Upon the deposit of any such payment in the Principal Collections Account, the Eligible Custodian will deliver to the Eligible Repo Counterparty Repo Collateral having an aggregate Market Value equal (to the extent practicable) to the amount of such payment, but only to the extent that such delivery will not result in the creation or increase of a Collateral Value Deficiency. Any such limitation on the Market Value of Repo Collateral permitted to be delivered to the Eligible Repo Counterparty will not affect the obligation of the Eligible Repo Counterparty to pay the full amount of the Euro cash amount applicable.

Repo Tax Events

In the event that money payable by one party to the other in respect of a transaction under the Repurchase Agreement is subject to withholding or deduction for taxes or duties, which withholding or deduction is required by law, the paying party shall (i) pay such taxes or duties to the appropriate authority and deliver to the payee evidence satisfactory to the payee of the payment of such taxes or duties; and (ii) if, and only if, the paying party is the Eligible Repo Counterparty, pay such additional amounts as will result in the net amounts received by the Issuer (after taking account of such withholding or deduction) being equal to such amounts as would have been received by it had no such taxes or duties been required to be withheld or deducted. It should be noted, however, that if the Eligible Repo Counterparty becomes obliged or there is a substantial likelihood that it will become obliged to pay the Issuer any additional amounts or if any payments to be made to it by the Issuer are subject to such deduction or withholding, the Eligible Repo Counterparty may elect to terminate the Repurchase Agreement.

A "**Repo Tax Event**" will occur if a change in the fiscal or regulatory regime (including, but not limited to, a change in law or in the general interpretation of law but excluding any change in any rate of Tax (as such term is defined in Condition 8)) has resulted or will result in any of the following events: (i) the Eligible Repo Counterparty is or will (within 90 calendar days of any such determination) be obliged, pursuant to the terms of the Repurchase Agreement to pay any additional amounts in respect of any Tax; or (ii) any payment by the Issuer to the Eligible Repo Counterparty in respect of a transaction under the Repurchase Agreement is or will (within 90 calendar days of such determination, such determination being made by the Issuer relying on an opinion of independent legal advisers) be subject to any deduction or withholding which is required by law for or on account of any Tax.

If, upon the occurrence of a Repo Tax Event:

- (a) the Eligible Repo Counterparty has failed to pay any additional amount payable by it under the Repurchase Agreement and such failure continues for three Business Days after the Issuer serves notice of such failure on the Eligible Repo Counterparty, the Issuer will, subject to compliance with the provisions of the Conditions, designate the Tax Redemption Date of the Notes and the Eligible Repo Counterparty will be required to repurchase from the Issuer securities equivalent to all of the Repo Collateral on such Tax Redemption Date; or
- (b) the Eligible Repo Counterparty delivers an irrevocable written notice to the Issuer stating that such event (other than the failure of the Eligible Repo Counterparty to pay any additional amount) is to be treated as a Repo Tax Event and that the Eligible Repo Counterparty is electing to terminate the Repurchase Agreement then **provided that** (A) the Eligible Repo Counterparty has provided to the Issuer and the Note Trustee an opinion, in form and substance satisfactory to the Note Trustee, of independent legal advisors of recognised standing confirming the occurrence or anticipated occurrence of such event within 90 calendar days of the date of such opinion and (B) the Eligible Repo Counterparty determines, after consultation with the Issuer and the Note Trustee, that such Tax cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer will, subject to compliance with the provisions of the Conditions, designate the Tax Redemption Date of the Notes and the Eligible Repo Counterparty will be required to repurchase from the Issuer securities equivalent to all of the Repo Collateral on such Tax Redemption Date. The Note Trustee shall be entitled to accept any such opinion (but may accept other evidence in lieu thereof which in its sole opinion is satisfactory to the Note Trustee) as sufficient evidence of the existence of a Repo Tax Event, in which event it shall be conclusive and binding on the Eligible Repo Counterparty and the Issuer.

Daily Mark to Market

To collateralise its obligation to pay the Outstanding Repurchase Price, the Eligible Repo Counterparty may, from time to time, be required to deliver margin (in the form of additional Eligible Investments to the Eligible Custodian and/or Euro cash amounts to the Account Bank) for the benefit of the Issuer. The Market Value of the Repo Collateral will be determined by the Eligible Custodian on each Business Day in accordance with the Market Value calculation procedures set forth in the Repurchase Agreement. On each Business Day, the aggregate Market Value of the Repo Collateral together with any Income received thereon but not yet paid to the Eligible Repo Counterparty (the "**Collateral Value**") will be required to be an amount at least equal to the Required Minimum Collateral Value.

The "**Market Value**" means, with respect to any Eligible Investments as of any time on any date, the price for such Eligible Investments at such time on such date obtained from a Recognised Source (and where different prices are obtained for different delivery dates, the price so obtainable for the earliest available such delivery date) (**provided that** the price of Eligible Investments that are suspended will (for the purposes of the margining provisions to the Repurchase Agreement) be nil and (for all other purposes) be the price of those Eligible Investments as of close of business on the dealing day in the relevant market last preceding the date of suspension) plus the aggregate amount of income which, as of such date, has accrued but not yet been paid in respect of the Eligible Investments to the extent not included in such price as of such date. For these purposes, any sum in a currency other than Euro shall be converted into Euro at the Spot Rate. The Market Value of any cash amount will be deemed to be such cash amount converted, in the case of cash that is not denominated in Euro, into Euro at the Spot Rate.

The "**Recognised Source**" for the determination of Market Value shall be Reuters. If for any reason Market Value cannot be determined by reference to Reuters, then the pricing source shall be Bloomberg. If for any reason Market Value cannot be determined by reference to Bloomberg then the pricing source shall be Telerate. If for any reason Market Value cannot be determined by reference to Telerate, such other generally accepted pricing source for the Eligible Investments as is selected by the Eligible Repo Counterparty, acting reasonably, in good faith and in accordance with accepted market practice (if determinable) for determining a pricing source for Eligible Investments. If the Eligible Repo Counterparty is required to select a pricing source other than Reuters, Bloomberg or Telerate, it shall, upon such selection, notify each Rating Agency thereof.

"**Spot Rate**" means, where an amount in one currency is to be converted into a second currency on any date, the spot rate of exchange quoted by the Repo Guarantor in the Brussels interbank market for the sale by it of such second currency against a purchase by it of the first currency.

The "**Required Minimum Collateral Value**" means, for any date of determination, the Moody's Required Minimum Collateral Value as of such date.

The "**Moody's Required Minimum Collateral Value**" means, for any date of determination:

- (A) for so long as the unsecured short-term debt obligations and the long-term unsecured debt obligations of the Repo Guarantor are rated at least P-1 and A1 by Moody's, respectively, or the unsecured obligations of the Repo Guarantor are not assigned a rating by Moody's, an amount equal to the sum of:
 - (a) the Outstanding Repurchase Price;
 - (b) an amount equal to the product of the Anticipated Coupon and the Repo Margin; and
 - (c) an amount equal to the product of (i) the greater of (1) the Outstanding Repurchase Price less the Collateral Value and (2) zero, and (ii) the Repo Margin; and

- (B) for so long as the unsecured short-term debt obligations or the long-term unsecured debt obligations of the Repo Guarantor are rated less than P-1 or A1 by Moody's, respectively, an amount equal to the product of the Outstanding Repurchase Price and the Repo Margin.

"Anticipated Coupon" means, for any date of determination, an amount equal to the aggregate Interest Amount anticipated by the Eligible Repo Counterparty, after consultation with the Agent Bank, to be due in respect of the Notes on the next following Interest Payment Date.

The **"Repo Margin"** means, for any date of determination, the greater of the Moody's Required Margin and the S&P Required Margin as of such date.

The Eligible Custodian, will on any Business Day on which the Collateral Value is less than the Required Minimum Collateral Value (such deficiency, a **"Collateral Value Deficiency"**), notify the Eligible Repo Counterparty and the Issuer of the extent of such Collateral Value Deficiency.

On any Business Day on which there is a Collateral Value Deficiency, the Eligible Repo Counterparty will be required, if notification thereof is received by 12:00 mid-day Brussels time on a Settlement Business Day, by 3:00 pm Brussels time, or otherwise within one Settlement Business Day of notification thereof, to deliver to the Eligible Custodian, for deposit into the Custody Account, additional Eligible Investments and/or to deliver to the Account Bank Euro cash amounts having an aggregate Market Value at least equal to the amount of such Collateral Value Deficiency. Any additional Eligible Investments and/or Euro cash amounts so delivered to the Eligible Custodian and/or the Account Bank (as the case may be) will constitute additional Repo Collateral. Failure by the Eligible Repo Counterparty to make such delivery within three Settlement Business Days of notification of its failure to make such delivery will be a Repo Event of Default. Upon the occurrence of such a Repo Event of Default, the Issuer will (via the Administrator) forthwith notify the Note Trustee and the Noteholders of such event. **"Settlement Business Day"** means a Business Day upon which Euroclear or Clearstream, Luxembourg or such other settlement system through which the transaction is to be settled or the relevant margin call is to be made is also open to settle business in Euro.

If on any Business Day the Collateral Value is greater than the Required Minimum Collateral Value (such excess, the **"Collateral Value Excess"**), the Eligible Custodian will be obliged to notify the Eligible Repo Counterparty and the Issuer accordingly on such Business Day unless the Eligible Repo Counterparty notifies the Eligible Custodian that such notification is not required. If a Collateral Value Excess exists on any Business Day the Issuer will, upon demand by the Eligible Repo Counterparty, be obliged to deliver, if notice of such demand is received by 12:00 mid-day Brussels time on a Settlement Business Day, by 3:00 pm Brussels time, or otherwise within one Settlement Business Day of receipt of such demand, a Euro cash amount (if previously transferred to it pursuant to the margining provisions) and/or an amount of Equivalent Securities to the Eligible Repo Counterparty to correct such excess collateralisation. Any Equivalent Securities or Euro cash amount so delivered to the Eligible Repo Counterparty will reduce the Repo Collateral accordingly. Failure by the Issuer to make such delivery within three Settlement Business Days of notification of its failure to do so will be a Repo Event of Default. Any Eligible Investments so withdrawn from the Custody Account will be released from the Security and will no longer form part of the Charged Assets. Any Euro cash amounts withdrawn for such purpose from the Euro Repo Cash Account will be released from the Security and will no longer form part of the Charged Assets.

Calculation of the Moody's Required Margin

The **"Moody's Required Margin"** means, for any date of determination:

- (a) for so long as:
- (1) the unsecured short-term debt obligations and the long-term unsecured debt obligations of the Repo Guarantor are rated at least P-1 and A1 by Moody's, respectively, or the unsecured obligations of the Repo Guarantor are not assigned a rating by Moody's, 1.00; and
 - (2) the unsecured short-term debt obligations or the long-term unsecured debt obligations of the Repo Guarantor are rated less than P-1 or A1 by Moody's, respectively:
 - (A) all of the Repo Collateral is denominated in Euro, 1.08; or
 - (B) if the Repo Collateral is denominated in whole or in part in Dollars and/or Sterling, the Moody's Weighted Average OC Rate; or
- (b) such other fraction as may be designated by the Eligible Repo Counterparty, **provided that** the Eligible Repo Counterparty has provided written confirmation to the Issuer, the Administrator and the Note Trustee from each Rating Agency that the then current ratings of each Class of Notes rated by it would not be adversely affected due to such designation and from the Portfolio Swap Counterparty consenting to such designation.

"Moody's Weighted Average OC Rate" means, as of any date of determination, the fraction calculated by:

- (a) summing the products obtained by multiplying the Market Value of each Eligible Investment held by the Issuer on such date by:
- (1) in the case of Eligible Investments denominated in Euro, 1.08;

- (2) in the case of Eligible Investments denominated in Dollars or Sterling, 1.17;
- (b) dividing the sum obtained in (1) above by the sum of the Market Value of each Eligible Investment held by the Issuer on such date; and
- (c) rounding up the result to two decimal points.

Acceleration of Ultimate Repurchase Obligation

The Eligible Repo Counterparty's Ultimate Repurchase Obligation will be subject to acceleration on the occurrence of certain events of default under the Repurchase Agreement (each a "**Repo Event of Default**") including payment or delivery defaults by the Issuer or the Eligible Repo Counterparty and certain bankruptcy related events applicable to the Issuer or the Eligible Repo Counterparty. If the Eligible Repo Counterparty's Ultimate Repurchase Obligation is accelerated pursuant to an event of default under the Repurchase Agreement, the Issuer's obligations to deliver securities (or cash, as the case may be) equivalent to the remaining Repo Collateral will be converted into an obligation to pay to the Eligible Repo Counterparty the Market Value of such Repo Collateral. The obligation upon the Issuer to pay such amount together with its obligation to pay any Income received (and not previously paid to the Eligible Repo Counterparty) on such securities will be netted against the Eligible Repo Counterparty's obligation to pay the Outstanding Repurchase Price at such time. Any acceleration of the Eligible Repo Counterparty's repurchase obligation in such circumstances may result in an acceleration of the Notes pursuant to Condition 5.3 (*Early Redemption due to Collateral Acceleration*).

If the Eligible Repo Counterparty's Ultimate Repurchase Obligation falls due on a date prior to the Legal Maturity Date for any reason other than pursuant to a Repo Event of Default, the Eligible Repo Counterparty will repurchase from the Issuer securities (or cash, as the case may be) equivalent to all of the Repo Collateral on such date at a price equal to the Outstanding Repurchase Price as at such date.

Termination pursuant to a Collateral Switch

If at any time the Issuer is instructed, pursuant to the Collateral Switch Agreement, to invest Collateral Principal Proceeds in an Alternative Collateral Arrangement, the Issuer shall sell and the Eligible Repo Counterparty shall repurchase Repo Collateral to the extent required to effect the collateral switch.

Replacement of Eligible Repo Counterparty

The Eligible Repo Counterparty may, subject to certain conditions and upon giving at least 30 calendar days but not more than 60 calendar days prior written notice to the Issuer and the Note Trustee, choose to substitute a branch, affiliate or agency of the Eligible Repo Counterparty or KBC Bank, as the counterparty under the Repurchase Agreement.

Termination of the Repurchase Agreement

Either party may terminate the Repurchase Agreement by giving written notice to the other, except that the Repurchase Agreement shall, notwithstanding such notice, remain applicable to the Initial Transaction and any other Transaction (as such term is defined in the Repurchase Agreement) then outstanding.

Repo Guarantee

Pursuant to a guarantee (the "**Repo Guarantee**") entered into on the Collateral Switch Date, KBC Bank as guarantor pursuant to the Repo Guarantee and any successor in title thereto (the "**Repo Guarantor**") will guarantee to the Issuer the prompt payment when due of all amounts from time to time owing to the Issuer by the Eligible Repo Counterparty in accordance with the terms of the Repurchase Agreement.

Approved Form of Custody Agreement

Pursuant to the Custody Agreement, the Eligible Custodian will hold the Repo Collateral in the form of Eligible Investments in a designated custody securities account in the name of the Issuer (the "**Custody Account**"). The Eligible Custodian will cause such holding on behalf of the Issuer to be reflected in its own records and, if permissible, in its client records with the relevant Repo Collateral Clearing System, as appropriate. Repo Collateral in the form of (i) Euro cash will be paid into and held in the Euro Repo Cash Account (ii) Dollar cash will be paid into and held in the Dollar Repo Substitutions Account, and (iii) Sterling cash will be paid into and held in the Sterling Repo Substitutions Account, each as maintained with the Account Bank. The Custody Agreement will be governed by English law and provide for the jurisdiction of the English courts.

In the event that (a) the unsecured debt obligations of the Eligible Custodian (or any successor thereof) are rated less than F1 by Fitch or P-1 or A2 by Moody's or (b) the Eligible Custodian ceases to satisfy certain criteria stipulated in the Approved Form of the Custody Agreement, the Issuer will, by giving the Eligible Custodian not less than five Business Days prior notice to that effect, replace, within 30 calendar days of such rating downgrade, any such Eligible Custodian (or any successor thereof) with a custodian which must (1) be approved by the Security Trustee, (2) satisfy the criteria set out in the

Approved Form of the Custody Agreement and (3) have its unsecured debt obligations rated at least F1 by Fitch and P-1 and A2 by Moody's.

Pursuant to the Custody Agreement (and subject to the limited recourse provisions contained therein), the Eligible Custodian and its directors, officers, employees and agents will be indemnified and held harmless by the Issuer against any liability, damage, costs, loss or expense (including without limitation its reasonable legal fees, costs and expenses but excluding any special, indirect, punitive or consequential losses or damage) incurred by it, other than by reason of its own negligence, fraud, wilful misconduct, breach of contract or bad faith arising out of or in connection with the exercise or performance of any of its or their powers or duties as Eligible Custodian.

Security over the Repo Collateral

The Repo Collateral in the form of Eligible Investments held in a Custody Account and cash collateral or the cash proceeds of Eligible Investments held in a Repo Collections Accounts will be made subject to a first priority security interest in favour of the Security Trustee. Upon the delivery of an Enforcement Notice, the obligation of the Eligible Repo Counterparty to pay the Outstanding Repurchase Price under the Repurchase Agreement will be accelerated and netted against the obligation of the Issuer, in such circumstances, to pay the aggregate Market Value of the Repo Collateral (together with accrued Income thereon) to the Eligible Repo Counterparty. Accordingly only the net proceeds realised thereby will be available for application by the Security Trustee pursuant to the Enforcement Order of Priority.

It should be noted that at any time the Repo Collateral may be comprised in whole or in part by Eligible Investments which are denominated in Dollars, Euro and/or Sterling. There can be no assurance that the Market Value of the Repo Collateral will equal or exceed the Outstanding Repurchase Price (which is to be paid in Euro). If the Eligible Repo Counterparty fails to pay the Outstanding Repurchase Price and the Market Value of the Repo Collateral does not equal or exceed the Outstanding Repurchase Price, recourse may be had against the Repo Guarantor pursuant to the terms of the Repo Guarantee for the prompt payment of any amount due and owing to the Issuer by the Eligible Repo Counterparty in accordance with the terms of the Repurchase Agreement. If the Repo Guarantor defaults under the Repo Guarantee, the only amounts available for application by the Security Trustee pursuant to the Enforcement Order of Priority may be the net proceeds realised by the sale of the Repo Collateral (the Repo Proceeds) and thus there can be no assurance that there will be sufficient funds available to pay all amounts of interest and principal due on the Notes.

On an enforcement of the security interest over the Repo Collateral, the Security Trustee may, pending distribution thereof to the Portfolio Swap Counterparty and the Noteholders in accordance with the Enforcement Order of Priority, invest any cash proceeds of such enforcement in Permitted Investments (as defined in the Security Trust Deed) maturing not later than the next Payment Date or may place such cash proceeds on deposit in the name or under the control of the Security Trustee with any financial institution, having a short term rating of at least F1 by Fitch, P-1 by Moody's.

Governing Law

The Repurchase Agreement, the Repo Guarantee and the Custody Agreement will be governed by, and will be construed in accordance with, English law. The parties to the Repurchase Agreement and the Custody Agreement will, for the benefit of the Security Trustee, submit to the exclusive jurisdiction of the English courts for all purposes in connection with the Repurchase Agreement and the Custody Agreement. The Repo Guarantor will submit to the exclusive jurisdiction of the English courts for all purposes in connection with the Repo Guarantee.

INVESTMENT IN TOTAL RETURN SWAP ARRANGEMENTS

The following description of the provisions relating to TRS Arrangements consists of summaries of certain provisions of the Transaction Documents and is qualified by reference to the relevant provisions of the Transaction Documents. The description does not purport to be complete and prospective investors must refer to the applicable Transaction Documents for detailed information.

Investment in a TRS Arrangement

On any Collateral Switch Date if so instructed by the Portfolio Swap Counterparty pursuant to the terms of the Collateral Switch Agreement and subject to the satisfaction of the Collateral Switch Conditions, the Issuer shall apply all or part of the Collateral Principal Proceeds and invest the same in one or more TRS Arrangements.

A "**TRS Arrangement**" means an arrangement whereby funds denominated in Euro are used to acquire debt securities (subject to such debt securities satisfying certain criteria stipulated by the Rating Agencies) pursuant to a debt securities purchase agreement and/or a total return swap agreement and ancillary documentation (to be entered into by, at least, the Issuer, the Administrator and each relevant Eligible TRS Counterparty), and which arrangement provides: (a) pursuant to the terms of the total return swap agreement for (i) an Eligible TRS Counterparty to make periodic payments of premium to the Issuer and (ii) the Issuer to make periodic payments to such Eligible TRS Counterparty determined by reference to the income received by the Issuer on such debt securities during such period, (b) pursuant to the terms of the total return swap agreement and/or the debt securities purchase agreement, for the debt securities to be repurchased or otherwise realised in such a manner as to ensure that an amount equal to the original purchase price of such debt securities is received by the Issuer upon demand by the Issuer, to the extent that such funds are required by the Issuer to meet its payment obligations under the Transaction Documents or in connection with a transfer of Collateral Principal Proceeds after the Closing Date to an Alternative Collateral Arrangement, and (c) that payments of TRS Premium and TRS Principal Realisations are guaranteed (or otherwise supported or insured) by or are a primary obligation of an Eligible TRS Counterparty.

"**Eligible TRS Counterparty**" means any entity which is (a) rated by each Rating Agency or (b) guaranteed by an entity rated by each Rating Agency pursuant to a guarantee or a financial guarantee insurance policy in a form acceptable to the Rating Agencies, and which is or is to be a counterparty to the Issuer under a TRS Arrangement. For the avoidance of doubt, KBC Bank or any of its Affiliates may, subject only to the satisfaction of the Eligible TRS Counterparty criteria, be an Eligible TRS Counterparty.

Termination of a TRS Arrangement

Unless previously terminated, each TRS Arrangement will expire on the Legal Maturity Date. The Issuer (or the Administrator on its behalf) will be entitled to serve a notice of termination and effect an early termination of a TRS Arrangement if there is a material default or a payment default under the terms of such TRS Arrangement, or if the payment of any amount of TRS Premium is or there is a substantial likelihood that it will within 90 days of the date of such determination (such determination being made by the Issuer relying on an opinion of independent legal advisers of recognised standing) be subject to deduction or withholding for or on account of any tax or subject to tax. Pursuant to a TRS Arrangement, the Eligible TRS Counterparty will waive rights of set-off and will agree to non-petition and limited recourse provisions in relation to the Issuer.

TRS Tax Events

If a TRS Tax Event occurs in respect of a TRS Arrangement, the relevant Eligible TRS Counterparty may have the option under such TRS Arrangement either:

- (a) to indemnify the Issuer against the adverse effect suffered as a result of the relevant TRS Tax Event; or
- (b) to terminate the relevant TRS Arrangement (which may, depending on the circumstances, thereby oblige the Issuer to designate a Tax Redemption Date).

If any Eligible TRS Counterparty becomes obliged or there is a substantial likelihood that it will become obliged to pay the Issuer any additional amounts or if any payments to be made to it by the Issuer are subject to such deduction or withholding, it may elect to terminate the relevant TRS Arrangement.

SECURITY AND CASH ADMINISTRATION

The following description of the Security Trust Deed consists of summaries of certain provisions of the Security Trust Deed and is qualified by reference to the provisions of the Security Trust Deed. The description does not, however, restate the terms of either the Security Trust Deed in its entirety and prospective investors must refer to the Security Trust Deed for detailed information.

Collection of Funds

All payments of Portfolio Credit Swap Premium received by the Issuer from the Portfolio Swap Counterparty and all payments of Collateral Income Proceeds received by the Issuer from the GIC Provider, the GIC Guarantor, an Eligible Repo Counterparty, any Repo Guarantor, any Eligible TRS Counterparty and/or pursuant to the Account Bank Agreement (as the case may be) will, upon initial receipt, be deposited into an account, denominated in Euro, established and maintained in the name of the Issuer at the Account Bank (the "**Interest Collections Account**").

"**Collateral Income Proceeds**" means any GIC Interest (together with any amounts in respect of GIC Premium paid by the GIC Guarantor pursuant to the GIC Guarantee), any Repo Premium (together with any amounts in respect of Repo Premium paid by the Repo Guarantor pursuant to the Repo Guarantee), TRS Premium and interest earned on the Principal Collections Account and the Interest Collections Account and paid to the Issuer from time to time.

"**Interest Collections**" means, for any Payment Date, the sum of the funds standing to the credit of, or credited to, the Interest Collections Account on such date.

All Collateral Principal Proceeds will, upon initial receipt, be deposited into an account, denominated in Euro, established and maintained in the name of the Issuer at the Account Bank (the "**Principal Collections Account**").

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, all Repo Collateral and Income in the form of Euro cash (when required by the terms of any Repurchase Agreement to be paid to the Issuer) will, upon initial receipt, be deposited into an account established and maintained in the name of the Issuer at the Account Bank (the "**Euro Repo Cash Account**").

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, all Repo Collateral and Income in the form of Dollar cash (when required by the terms of any Repurchase Agreement to be paid to the Issuer) will, upon initial receipt, be deposited into an account established and maintained in the name of the Issuer at the Account Bank (the "**Dollar Repo Substitutions Account**").

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, all Repo Collateral and Income in the form of Sterling cash (when required by the terms of any Repurchase Agreement to be paid to the Issuer) will, upon initial receipt, be deposited into an account established and maintained in the name of the Issuer at the Account Bank (the "**Sterling Repo Substitutions Account**").

"**Collateral Principal Proceeds**" means (a) in respect of any principal amount due on the Notes and/or any Cash Settlement Amount due under the Portfolio Credit Swap, the funds available to and/or realised or withdrawn by the Issuer for the payment thereof in accordance with the Collateral Realisation Procedures and (b) in any other respect, the net proceeds of the Notes or any investment of the Issuer deriving therefrom.

"**Principal Collections**" means, for any Payment Date, the sum of the funds standing to the credit of, or credited to, the Principal Collections Account on such date.

All payments of Cash Reserve Amounts received by the Issuer from the Portfolio Swap Counterparty will, upon initial receipt, be deposited into an account, denominated in Euro, established and maintained in the name of the Issuer at the Account Bank (the "**Cash Reserve Account**").

"**Cash Reserves**" means, for any Payment Date, the sum of the funds standing to the credit of, or credited to, the Cash Reserve Account on such date.

Duties of Administrator regarding receipts

The Administrator will procure that the Account Bank records:

- (a) all payments of Portfolio Credit Swap Premium and Collateral Income Proceeds into the Interest Collections Account and allocations of Interest Collections from the Interest Collections Account;
- (b) all payments of Collateral Principal Proceeds into the Principal Collections Account and allocations of Principal Collections from the Principal Collections Account;
- (c) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, all payments of Repo Collateral and Income denominated in Dollars (when required by the terms of any Repurchase Agreement to be paid to the Issuer) into the Dollar Repo Substitutions Account and allocations of Repo Collateral and Income denominated in Dollar from the Dollar Repo Substitutions Account;
- (d) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, all payments of Repo Collateral and Income denominated in Euro (when required by the terms of the Repurchase Agreement to be paid to the Issuer) into

the Euro Repo Cash Account and allocations of Repo Collateral and Income denominated in Euro from the Euro Repo Cash Account;

- (e) if the Applicable Collateral Arrangement is or includes a Repo Arrangement, all payments of Repo Collateral and Income denominated in Sterling (when required by the terms of the Repurchase Agreement to be paid to the Issuer) into the Sterling Repo Substitutions Account and allocations of Repo Collateral and Income denominated in Sterling from the Sterling Repo Substitutions Account; and
- (f) all payments of Cash Reserve Amounts into the Cash Reserve Account and allocations of Cash Reserves from the Cash Reserve Account.

Application of Funds

Interest Collections

For so long as the Security Trustee has not delivered an Enforcement Notice, on each Payment Date, the Interest Collections in respect of the Notes for such Payment Date will be allocated and applied as follows:

- (1) first, to pay or provide for payment to the Security Trustee and the Note Trustee any Covered Expenses due and unpaid on such Payment Date or estimated to be payable on or prior to the next Payment Date;
- (2) second, to pay or provide for payment (either directly or via the Expenses Agent), on a pari passu basis to the Operating Creditors, any Covered Expenses due and unpaid on such Payment Date or estimated to be payable on or prior to the next Payment Date;
- (3) third, to pay any accrued and unpaid interest on each Class of Notes due on such Payment Date, in the Order of Seniority;
- (4) fourth, to pay to the Issuer the Issuer's Transaction Fee, if any, due on such date; and
- (5) fifth, on the final Payment Date only, to pay any remaining balance of the Interest Collections Account thereafter into the Principal Collections Account.

On any other date prior to the Enforcement Date, the funds standing to the credit of the Interest Collections Account will be applied to pay to the Security Trustee or any relevant Operating Creditors any Covered Expenses determined as of the immediately preceding Payment Date and not previously paid.

On the fourth Business Day preceding each Payment Date, the Administrator will determine and inform the Portfolio Swap Counterparty of the Expenses payable by the Issuer, if any, which will fall due or which it anticipates will fall due on or before the Payment Date next succeeding the relevant Payment Date.

Principal Collections and, if any, Repo Collections

On each Payment Date falling before the Enforcement Date (and where indicated, on the Closing Date), the Issuer will apply, or cause to be applied, the Principal Collections for such Payment Date (or the Closing Date as the case may be) as follows:

- (1) first, to pay to the Security Trustee and the Note Trustee any Covered Expenses due and unpaid on such Payment Date to the extent not paid out of Interest Collections;
- (2) second, to pay, on a pari passu basis, to the Operating Creditors, any Covered Expenses due and unpaid on such Payment Date to the extent not paid out of Interest Collections;
- (3) third, to pay to the Portfolio Swap Counterparty the amount due under the Portfolio Credit Swap in respect of any Cash Settlement Amount on such Payment Date to the extent that such amounts are not paid out of Cash Reserves;
- (4) fourth, to make payments of principal then due on, and (if appropriate) reduce to zero the Adjusted Principal Balance (after giving effect to the payment of any Cash Settlement Amounts on such Payment Date) of each Class of Notes in the Order of Seniority;
- (5) fifth, after the reduction of the Adjusted Principal Balance of each Class of Notes to zero, to pay to the Portfolio Swap Counterparty any Subordinated Portfolio Performance Fee that may be due to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap;
- (6) sixth, after the reduction of the Adjusted Principal Balance of each Class of Notes to zero and payment of any Subordinated Portfolio Performance Fee, to pay to the Portfolio Swap Counterparty the remaining funds standing to the credit of the Principal Collections Account (to the extent such funds exceed any accrued but unpaid Issuer's Transaction Fee) toward payment of the Swap Termination Fee and/or any other amount that may be due to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap; and

- (7) seventh, after the reduction of the Adjusted Principal Balance of each Class of Notes to zero, to pay the remaining balance of the Principal Collections Account to the Issuer.

On any other day on which the Applicable Collateral Arrangement is or includes a Repo Arrangement, the Issuer will apply, or cause to be applied, the Repo Collections to pay to the Eligible Repo Counterparty any Income and/or pursuant to a Substitution (as defined in the Repurchase Agreement) cash or cash redemption proceeds or cash margin then constituting excess collateralisation subject to and in accordance with the provisions of the Repurchase Agreement; **provided that** the Issuer shall not make any payment or transfer of Income to the Eligible Repo Counterparty if and to the extent that the Issuer would as a result of such payment have a Net Exposure or an increased Net Exposure to the Eligible Repo Counterparty.

On any Collateral Switch Date, to the extent that any Collateral Principal Proceeds are to be reinvested in an Alternative Collateral Arrangement pursuant to the Collateral Switch Agreement, the Issuer will apply or cause to be applied the Collateral Transfer Amount to or to the order of the Applicable Collateral Counterparty in the manner described in the documentation constituting such Alternative Collateral Arrangement.

If, prior to the Enforcement Date, such Principal Collections have been applied in payment of the first and/or second items listed above, any Interest Collections relating to the Notes thereafter arising will, to the extent of the amount so applied only, be deemed to be Principal Collections and will be applied in accordance with the priority of payments in respect of Principal Collections as set forth above.

Cash Reserves

On each Payment Date falling before the Enforcement Date, the Issuer will apply, or cause to be applied, the Cash Reserves in respect of the Notes for such Payment Date as follows:

- (1) first, to pay to the Portfolio Swap Counterparty an amount equal to any Reserve Account Interest Reimbursement due on such date;
- (2) second, to pay to the Portfolio Swap Counterparty the amount due under the Portfolio Credit Swap in respect of any Cash Settlement Amount on such Payment Date;
- (3) third, if any such Payment Date falls on or prior to the Termination Date and a Principal Shortfall Amount exists, to transfer an amount equal to the Reinstatement Amount to the Principal Collections Account;
- (4) fourth, to pay to the Portfolio Swap Counterparty any Subordinated Portfolio Performance Fee due and payable on such Payment Date; and
- (5) fifth, on the final Payment Date only, to pay any remaining balance of the Cash Reserve Account thereafter into the Principal Collections Account.

Allocation and Priority of Application on or after the Enforcement Date

On or after the Enforcement Date, the Administrator will ensure that the funds in the Interest Collections Account, the Principal Collection Account and the Cash Reserve Account will be applied in accordance with the provisions of the Security Trust Deed, and in any event, in accordance with the instructions of the Security Trustee.

Security

As security for the payment of all monies payable by the Issuer in respect of the Notes and certain other amounts the Issuer will execute the Security Documents creating the following security interests in favour of the Security Trustee:

- (1) pursuant to the Security Trust Deed, the Issuer will:
 - (A) assign absolutely by way of first fixed continuing security to and in favour of the Security Trustee (for itself and as trustee for the Secured Parties) for the payment and discharge of the Secured Obligations all of the Issuer's rights, title, interests and benefits (whether now existing or hereafter arising) in, to, under and in respect of each of the Specific Bank Accounts and each of the Specific Contracts;
 - (B) assign by way of first fixed security of any and all of its rights, title, interests and benefits, present and future, in and to any amounts that may be held from time to time by any custodian under any custody or other agreement and to any securities credited from time to time to any custody or other account;
 - (C) assign by way of first fixed security of any and all of its rights, title, interests and benefits, present and future, in and to any custody account including, without limitation, its rights against any custodian for the delivery of any specified securities or an equivalent number or nominal value thereof arising in connection with such assets being held in a clearing system or through a financial intermediary and, to the extent that the same may be assigned, all of its rights, title, interest and benefits, present and future, in and to all assets and property thereafter belonging to the Issuer and deriving from such assets together with all rights attaching thereto and income deriving therefrom;

- (D) assign by way of first fixed security of all of its rights, title, interests and benefits, present and future, under any repurchase agreement or other contract entered into in respect of any Repo Arrangement pursuant to or as contemplated in the Transaction Documents from time to time;
- (E) assign and agrees to assign by way of first fixed continuing security to and in favour of the Security Trustee (for itself and as trustee for the Secured Parties) for the payment and discharge of the Secured Obligations all of the Issuer's rights, title, interest and benefits (whether now or hereafter existing) in to and in respect of any contract that may, at any time, be entered into by the Issuer pursuant to a TRS Arrangement; and
- (F) charge by way of first floating charge and by way of further continuing security to and in favour of the Security Trustee (for itself and as trustee for the Secured Parties) for the payment and discharge of the Secured Obligations the whole of its undertaking, property, assets, rights and revenues (save for such as are situated in Jersey) to the extent that the same are not or do not remain effectively encumbered by way of fixed security as described in sub-paragraphs (A) to (E) above.

All of the assets and property which are expressed to be subject to the security created under or pursuant to the Security Documents are herein referred to as the "**Charged Assets**". On enforcement of the Security in accordance with Condition 15 (*Enforcement*), the Security Trustee is required to apply monies available for distribution in accordance with the Enforcement Order of Priority.

Enforcement of the Security

The Security created pursuant to the Security Trust Deed will become enforceable on the Enforcement Date. The Enforcement Date will occur and the Notes will become immediately due and payable at their respective Redemption Amounts (together with accrued but unpaid interest thereon) on the earlier of (a) the Note Default Notice Delivery Date or the Note Redemption Notice Delivery Date (as the case may be) and (b) the date that an Enforcement Notice is deemed to be delivered to the Issuer pursuant to the Security Trust Deed.

On and after the Enforcement Date, the Security Trustee (subject to it being indemnified and/or secured to its satisfaction) may in its sole discretion, but subject to the provisions of the Security Trust Deed and the other Transaction Documents, institute such proceedings against the Issuer as it may think fit to enforce the Security and/or take such proceedings as it may think fit against the Issuer to enforce repayment of principal of the Notes (together with accrued interest thereon) and the other Secured Obligations.

The order in which the net proceeds of the enforcement of the security over each of the Charged Assets is applied is set out below.

Enforcement Order of Priority

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, on the Enforcement Date the obligation of the Eligible Repo Counterparty to pay the Outstanding Repurchase Price under the Repurchase Agreement will be accelerated and netted against the obligation of the Issuer, in such circumstances, to pay the aggregate Market Value of the Repo Collateral (together with accrued Income thereon) to the Eligible Repo Counterparty. Accordingly only the net proceeds realised thereby (the "**Repo Proceeds**") will be available for application by the Security Trustee pursuant to the Enforcement Order of Priority. The excess, if any, of the aggregate Market Value of the Repo Collateral over the Outstanding Repurchase Price will be paid to the Eligible Repo Counterparty at such time.

On and after the Enforcement Date the Security Trustee will (subject to any applicable laws including laws of bankruptcy, insolvency, liquidation or other laws affecting creditors' rights generally and subject to the proviso below) apply or cause to be applied, the Repo Proceeds (if any) together with all monies paid to, or recovered or received by or on behalf of the Security Trustee in respect of the Other Charged Assets which are available for distribution in the order of priority (the "**Enforcement Order of Priority**") as set forth below.

first, to pay or provide for, on a pari passu basis but pro rata to the aggregate of the respective amounts payable to each of them under the provisions of the Note Trust Deed, the Security Trust Deed and the other Transaction Documents by way of remuneration and/or indemnification or which are otherwise payable by the Issuer to the Security Trustee and the Note Trustee and/or any Receiver appointed by the Security Trustee pursuant to the Security Trust Deed or any other Security Document, their respective Expenses;

second, to pay or provide for amounts payable (either directly or via the Expenses Agent), on a pari passu basis but pro rata to the aggregate respective amounts payable (in respect of Expenses other than any Exceptional Expenses) to each of them, to the Operating Creditors, their respective Expenses other than any Exceptional Expenses;

third, to pay or provide for amounts payable to the Portfolio Swap Counterparty, in respect of the Issuer's obligations to the Portfolio Swap Counterparty under the Portfolio Credit Swap in respect of Cash Settlement Amounts (or if a lesser amount, the amount payable to the Portfolio Swap Counterparty pursuant to Section 6(e) of the Portfolio Credit Swap);

fourth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class A1 Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class A1 Note;

fifth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class A2 Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class A2 Note;

sixth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class B Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class B Note;

seventh, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class C Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class C Note;

eighth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class D Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class D Note;

ninth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class E Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class E Note;

tenth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class F Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class F Note;

eleventh, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class G Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class G Note;

twelfth, to pay, on a pari passu basis and pro rata to the respective Adjusted Principal Balance of each Note of such Class, in respect of the Class H Notes, firstly, all amounts of interest payable and, secondly, all amounts of principal payable in respect of the Adjusted Principal Balance of each Class H Note;

thirteenth, to pay or provide on a pari passu basis and pro rata to the respective aggregate amounts payable to the Operating Creditors, their respective Exceptional Expenses payable and not previously paid;

fourteenth, to pay or provide for the payment of any Subordinated Portfolio Performance Fee payable to the Portfolio Swap Counterparty;

fifteenth, to apply the remaining funds, if any, to the extent such funds exceed any accrued but unpaid Issuer's Transaction Fee, available for distribution toward payment of the Swap Termination Fee and/or any other amount that may be due to the Portfolio Swap Counterparty pursuant to the Portfolio Credit Swap; and

finally, to pay the balance, if any, to the Issuer.

Governing law of the Security Documents

The Security Trust Deed will be governed by English law.

USE OF PROCEEDS

On the Closing Date, the Issuer will invest the net proceeds of the offering of the Notes (being an amount equal to EUR 688,550,000) in a GIC Arrangement documented under the Investment Agreement. Collateral Principal Proceeds will be used to pay, amongst other things, Cash Settlement Amounts which the Issuer may become obliged to pay from time to time pursuant to the Portfolio Credit Swap.

The Portfolio Swap Counterparty will, on the Closing Date, pay (or procure the payment of) the total expenses related to the admission of Notes to the Official List of the Irish Stock Exchange and trading on its regulated market, which is estimated to be EUR 20,000.

DESCRIPTION OF THE NOTES

The following description consists of summaries of certain provisions of the Security Trust Deed, the Note Trust Deed and the Agency Agreement and is qualified by reference to the provisions of the Security Trust Deed, the Note Trust Deed and the Agency Agreement, as appropriate. The description does not, however, restate either the terms of the Security Trust Deed, the Note Trust Deed or the Agency Agreement in their entirety and prospective investors must refer to the Security Trust Deed, the Note Trust Deed and the Agency Agreement, as appropriate, for detailed information.

The issue of the Notes is and will be authorised by a resolution of the Board of Directors of the Issuer passed on or about 16 February, 2007. The Notes will be constituted by a Note Trust Deed expected to be dated the Closing Date (as defined below) between the Issuer and BNY Corporate Trustee Services Limited as Note Trustee for the Noteholders and as Security Trustee. The proceeds of the Notes will initially be applied by the Issuer as described in the section titled "Use of Proceeds" herein.

The statements set out below include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Security Trust Deed and the Agency Agreement (the "**Note Documents**"). Certain words and expressions used below have the meanings defined in the Note Documents (as appropriate).

The Noteholders will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Note Documents. Copies of the Note Documents in electronic format will be available for inspection at the principal London office of the Note Trustee, being at the date hereof, One Canada Square, London E14 5AL and at the Specified Offices for the time being of the Paying Agents.

Form of Notes - Global Note Certificates in Fully Registered Form

References herein to any beneficial interest in a Global Note Certificate (whether a Global Reg S Note or a Global Rule 144A Note) will be deemed to refer to a beneficial interest in the Note or Notes represented by such Global Note Certificate.

Global Note Certificates representing the Reg S Notes

Notes sold to non-U.S. persons outside the United States ("**Reg S Notes**") in reliance on Regulation S ("**Regulation S**") under the Securities Act will be represented by one or more permanent global notes in fully registered form without interest coupons (each such Global Note Certificate in relation to a Class of those Notes being a "**Global Reg S Note**").

Global Note Certificates representing the Rule 144A Notes

Notes sold to U.S. persons or in the United States ("**Rule 144A Notes**") may only be sold to persons who are "qualified institutional buyers" as defined in Rule 144A of the Securities Act ("**Rule 144A**") and who are also "qualified purchasers" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) and will be represented by one or more permanent global notes in fully registered form without interest coupons (each such Global Note Certificate in relation to a Class of those Notes being a "**Global Rule 144A Note**").

Save in certain limited circumstances, Notes in definitive, certificated fully registered form will not be issued in exchange for the Global Notes (see "*Issue of Notes in Definitive Form*" below). The Note Trust Deed will include the form of the Global Note Certificates and the form of the Definitive Note Certificates.

Initial Principal Balance and Denomination

The Initial Principal Balance of each Global Note Certificate relating to a Class of Notes will equal the aggregate Initial Principal Balance of the Notes represented thereby.

The Notes of each Class are in registered form and will, in the case of the Reg S Notes, be issued in denominations of EUR 50,000 and, in the case of the Rule 144A Notes, be issued in denominations of EUR 250,000 and, in each case, in integral multiples of EUR 50,000 in excess thereof (each such denomination an "**Authorised Denomination**"). Each holding of Notes must have an Initial Principal Balance equal to EUR 50,000 (in the case of the Reg S Notes) and EUR 250,000 (in the case of the Rule 144A Notes) or any integral multiple of EUR 50,000 in excess thereof (an "Authorised Holding").

Deposit of Global Note Certificates in Clearing Systems

Each Global Rule 144A Note is expected to be deposited with The Bank of New York, as custodian (the "**DTC Custodian**") for The Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee, on or about the Closing Date.

Each Global Reg S Note Certificate is expected to be deposited with, and registered in the name of, or a nominee of, The Bank of New York, as common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and together with Euroclear and DTC, the "**Clearing Systems**") on or about the Closing Date.

Upon deposit of a Global Note Certificate in a Clearing System, the relevant Clearing System will credit each subscriber of the Notes represented by that Global Note Certificate with the principal amount of Notes for which that subscriber has subscribed and paid. The accounts to be credited will be designated by the Bookrunner.

DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representative) own DTC.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows: Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities. Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other. Account holders in both Euroclear and Clearstream, Luxembourg are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system. An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

Notices to Noteholders may be made to the Clearing System

Any notice to Noteholders in respect of Notes represented by a Global Note Certificate will be deemed to have been duly given if sent to DTC, Euroclear and/or Clearstream, Luxembourg (as applicable) and will be deemed to have been given on the date on which such notice was so sent.

Clearance and Settlement of Transfers of Interests in Global Note Certificates

Title to the Notes represented by Global Note Certificates and, if issued, any Definitive Notes (see "*Issue of Notes in Definitive Form*" below) will pass by transfer and registration as described in the Conditions. Restrictions on the offer, sale, purchase, resale, pledge or transfer of Notes are described in "*Restrictions on Purchase and Transfer of the Notes*" below.

Holding of beneficial interests in Global Note Certificates

Ownership of beneficial interests in the Notes represented by the Global Note Certificates will be limited to persons that have accounts with a Clearing System ("**participants**") or persons that hold interests in the Notes represented by Global Note Certificates through participants ("**indirect participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearing System, either directly or indirectly. Indirect participants will also include persons that hold beneficial interests through such indirect participants. DTC, Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective amount of Notes beneficially owned by such participants on each of their respective book-entry registration and transfer systems.

Investors may hold a beneficial interest in respect of a Global Rule 144A Note directly through DTC (if they are participants in such system) or indirectly through organisations which are participants in such system. All beneficial interests in a Global Rule 144A Note will be subject to the procedures and requirements of DTC.

Investors may hold a beneficial interest in respect of a Global Reg S Note Certificate directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. After the expiration of the Distribution Compliance Period (as defined below) but not earlier, investors may also hold such beneficial interests through organisations other than Euroclear or Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold beneficial interests in each Global Reg S Note Certificate on behalf of their account holders through securities accounts in the respective account holders' name on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer system.

Beneficial interests in the Global Note Certificates will be shown on, and transfers of book-entry interests or the interest therein will be effected only through, records maintained by DTC, Euroclear or Clearstream, Luxembourg (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their indirect participants).

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Global Rule 144A Notes for exchange) only at the direction of a participant in DTC to whose account with DTC interests in the relevant Global Rule 144A Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which that participant in DTC has given such direction.

Procedures applicable to transfers of beneficial interests in Global Note Certificates

For so long as a Note is represented by a Global Note Certificate, permitted transfers of such Note and beneficial interests in that Note will be subject to and effected in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as appropriate.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to Notes under the section titled "*Restrictions on Purchase and Transfer of the Notes*", cross-market transfers between DTC, on the one hand, and, directly or indirectly through Euroclear or Clearstream, Luxembourg, or their respective participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to the Common Depository to take action to effect final settlement on its behalf by delivering or receiving interest in a Note represented by a Global Reg S Note in DTC, and making or receiving payment in accordance with normal procedures for immediately available funds settlement applicable to DTC. Participants in Euroclear or Clearstream, Luxembourg may not deliver instructions directly to the Common Depository.

Because of time zone differences, the securities account of a participant in Euroclear or Clearstream, Luxembourg purchasing an interest in a Note represented by a Global Note Certificate from a participant in DTC will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the DTC settlement date and the credit of any transaction in interests in Notes represented by a Global Note Certificate settled during the processing day will be reported to the relevant participant in Euroclear or Clearstream, Luxembourg, as the case may be, on that day. Cash received by Euroclear or Clearstream, Luxembourg as a result of the sale of interests in Notes represented by a Global Note Certificate by or through a participant in Euroclear or Clearstream, Luxembourg to a participant in DTC will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of beneficial interests in Notes represented by Global Note Certificates among participants of DTC and account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

No service charge will be made for any registration of transfer or exchange of Notes of any class, but the Issuer and the Note Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Procedures for Payments in Respect of the Notes

Agency Agreement

Each payment of principal and interest in respect of the Notes will be made by the Paying Agents in accordance with the Agency Agreement. The Agent Bank will make the determinations in respect of interest payments to be made on the Notes.

Payments in respect of the Notes represented by Global Note Certificates

Principal and interest on each Note represented by a Global Note Certificate will be payable to the registered owner of the Notes represented by that Global Note Certificate and such registered owner will be the only person entitled to receive payments in respect of that Note and the Issuer's obligation to make any payment in respect of a Note will be discharged by payment to, or to the order of the registered owner of the Note represented by that Global Note Certificate in respect of each amount so paid. No person other than the registered owner of a Note represented by a Global Note Certificate will have any claim against the Issuer in respect of any payment due on that Note.

While a Note is represented by a Global Note Certificate, each payment in respect of that Note will be made via the Paying Agents to the relevant Holder (as defined in the Conditions) of that Note (which will be the relevant Clearing System, or a nominee thereof as custodian or common depository) or to its order.

The Issuer expects that in accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment in respect of a Global Reg S Note Certificate held by the Common Depository for Euroclear and Clearstream, Luxembourg, the respective systems will, in accordance with their rules and procedures, promptly credit their participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Reg S Note Certificate as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that in the case of DTC, upon receipt of any payment in respect of a Global Rule 144A Note (which, if appropriate, has been converted into U.S. dollars by the Exchange Rate Agent, as described under "*The Exchange Rate Agent and Currency of Payments*"), DTC will, in accordance with its rules and procedures, promptly credit its participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Rule 144A Note as shown on the records of DTC or its nominee. None of the Issuer, the Note Trustee, the Bookrunner, any Paying Agent or any other Transaction Participant and any of their respective agents will have any responsibility or liability for any aspect of the records of the Clearing Systems relating to or payments or credits made by or at the direction of the Clearing Systems on account of beneficial interests in the Notes represented by the Global Note Certificates or for maintaining, supervising or reviewing any records of the Clearing Systems relating to those beneficial interests.

The Issuer also expects that payments by participants to owners of beneficial interests in Notes represented by a Global Note Certificate held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name" or in the names of nominees for such customers. Such payments will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, the Bookrunner, any Paying Agent any other Transaction Participant or any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of beneficial interests in Notes represented by a Global Note Certificates or for maintaining, supervising or reviewing any records relating to a participant's ownership of a beneficial interest in Notes represented by a Global Note Certificate.

A record of each payment made on a Note represented by a Global Note Certificate, distinguishing between any payment of principal and/or payment of interest, will be recorded in the Register in respect of such Note by the Registrar and such record will be prima facie evidence that the payment in question has been made.

The Exchange Rate Agent and Currency of Payments

DTC is unable to accept payments denominated in a currency other than U.S. dollars in respect of the Notes represented by a Global Rule 144A Note. Accordingly, holders of beneficial interests in the non-dollar denominated Rule 144A Global Notes held through DTC who wish payments to be made to them outside DTC must notify DTC in accordance with the rules and procedures of DTC not more than three New York Business Days after any relevant Record Date (in the case of interest payments on the Notes) or not less than 12 New York Business Days prior to the relevant Payment Date (in the case of principal payments on the Notes) (a) that they wish to be paid in the relevant currency denomination of such Notes and (b) of the relevant bank account details into which such payments are to be made. The Issuer expects that DTC would then inform the Principal Paying Agent of such payment instructions. "**New York Business Day**" means a day, other than a Saturday or a Sunday, on which commercial banks are open for business (including dealings in foreign currencies) in New York.

If such payment instructions are not received by the Principal Paying Agent by the fifth New York Business Day after any relevant Record Date (in the case of interest payments on the Notes) or by the tenth New York Business Days prior to the relevant Payment Date in the case of principal payments, The Bank of New York will, as exchange rate agent (the "**Exchange Rate Agent**") of the Issuer pursuant to the Agency Agreement, exchange the relevant non-dollar denominated amounts of any such payments on non-dollar denominated notes held through DTC into dollars at the exchange rate quoted by the Exchange Rate Agent or other bank in New York City chosen by the Exchange Rate Agent and the relevant holders of beneficial interests in the relevant Global Rule 144A Note will receive the dollar equivalent of such non-dollar denominated payment converted at such exchange rate and net of any costs of conversion relating thereto. Upon written request by a holder of beneficial interests in a non-dollar denominated Global Rule 144A Note, the Principal Paying Agent will provide information regarding the exchange rate with and the associated costs of conversion with respect to any non-dollar amounts converted into dollars in connection therewith. The Issuer has agreed in the Agency Agreement to indemnify the Exchange Rate Agent in connection with its activities thereunder.

Issue of Notes in Definitive Form

If (a) in the case of a Global Reg S Note, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (b) in the case of a Global Rule 144A Note, DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder with respect to the Global Rule 144A Note, or is at any time unwilling or unable to continue as, or ceases to be a "clearing agency" (as defined in the Exchange Act) registered under the Exchange Act and a successor to DTC registered as such a clearing agency is not appointed by the Issuer within 90 calendar days of such notification or cessation, then the Issuer will (at the Issuer's expense) issue Notes in definitive physical registered form (each a "**Definitive Note Certificate**") in exchange for the whole outstanding interests in the relevant Global Reg S Note (in the case of (a) above) or the relevant Global Rule 144A Notes (in the case of (b) above) within 30 calendar days of the occurrence of the relevant event but in any event not prior to the expiry of the Distribution Compliance Period.

RESTRICTIONS ON PURCHASE AND TRANSFER OF THE NOTES

The following description of the restrictions on the purchase and transfer of the Notes consists of summaries of certain provisions of the Note Trust Deed and the Agency Agreement and is qualified by reference to the provisions of the Note Trust Deed and the Agency Agreement, as appropriate. The description does not, however, restate the terms of the Note Trust Deed or the Agency Agreement in their entirety and prospective investors must refer to the Note Trust Deed and the Agency Agreement, as appropriate, for detailed information.

Because of the restrictions applicable to each Note as set out in the Conditions, the Note Trust Deed and the Agency Agreement (together the "**Transfer Regulations**"), purchasers are advised to consult legal counsel prior to making any offer, sale, purchase, resale, pledge or transfer of the Notes.

The Notes have not been registered under the Securities Act or any United States state securities or "Blue Sky" laws or the securities laws of any other jurisdiction and, accordingly, may not be offered, sold, resold, delivered or otherwise transferred except in accordance with the restrictions described in this Prospectus and in the Note Trust Deed.

Restrictions Contained in Legends on the Global Note Certificates

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any class of Notes is outstanding, each Global Note Certificate will bear a legend substantially as follows:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT (A) IN THE CASE OF A RULE 144A NOTE, TO A TRANSFEREE (1) THAT IS A "QUALIFIED INSTITUTIONAL BUYER", AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, WHO IS ALSO A "QUALIFIED PURCHASER" (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES THEREUNDER) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHO IS ALSO A QUALIFIED PURCHASER AND (2) THAT (I) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (II) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS IF THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (III) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN \$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (IV) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION OF ANY INVESTMENT AMONG SUCH PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION AND (V) AGREES TO PROVIDE NOTICE TO ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS PROVIDED IN THIS LEGEND OR (B) IN THE CASE OF A REG S NOTE, TO A PERSON THAT IS NOT A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND (C) IN EACH CASE (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE ISSUER OR THE NOTE TRUSTEE MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION. TRANSFERS OF THE NOTES MUST BE ACCOMPANIED BY APPROPRIATE TAX DOCUMENTATION AND ARE SUBJECT TO RESTRICTIONS AS PROVIDED IN THE AGENCY AGREEMENT AND IN THE NOTE TRUST DEED.

With respect to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes only: FURTHER, EACH PURCHASER OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, REPRESENTS AND WARRANTS THAT EITHER (A) IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN AND SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY USING THE

ASSETS OF OR ACTING ON BEHALF OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE PLAN ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR (B) ITS PURCHASE AND HOLDING OF SUCH NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE. ANY ATTEMPTED TRANSFER OF SUCH NOTE OR ANY INTEREST THEREIN IN VIOLATION OF SUCH REPRESENTATION AND WARRANTY WILL BE VOID AB INITIO.

With respect to the Class H Notes only: FURTHER, EACH PURCHASER OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, REPRESENTS AND WARRANTS THAT IT IS NOT AN EMPLOYEE BENEFIT PLAN AS DEFINED IN AND SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, A PLAN AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, AN ENTITY USING THE ASSETS OF OR ACTING ON BEHALF OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE PLAN ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN. ANY ATTEMPTED TRANSFER OF SUCH NOTE OR ANY INTEREST THEREIN IN VIOLATION OF SUCH REPRESENTATION AND WARRANTY WILL BE VOID AB INITIO."

THIS NOTE CANNOT BE TRANSFERRED TO A PERSON RESIDENT IN JERSEY FOR JERSEY INCOME TAX PURPOSES OTHER THAN TO A FINANCIAL INSTITUTION ACTING IN THE ORDINARY COURSE OF ITS BUSINESS.

THIS NOTE IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN, IN THE AGENCY AGREEMENT AND IN THE NOTE TRUST DEED. ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE NOTE TRUSTEE OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS NOTE AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE NOTE TRUST DEED TO THE TRANSFEREE."

A person acquiring a beneficial interest in a Note will be deemed to have made certain representations relating to compliance with all applicable securities and tax laws and will be deemed to have agreed to be bound by the transfer restrictions applicable to such Note and may be requested to agree in writing to be so bound.

In particular, to enforce the Transfer Regulations in relation to interests in any Note, the Note Trust Deed permits the Issuer to demand that the holder of (a) any Rule 144A Note held by a U.S. person (as defined in Regulation S) (a "**U.S. person**") who is determined not to have been both a qualified institutional buyer ("**QIB**") (within the meaning of Rule 144A under the Securities Act) and a qualified purchaser ("**QP**") (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) at the time of the acquisition of such Note and (b) any interest in a Reg S Note held by a U.S. person at the time of acquisition of such interest if such interest occurred prior to the first Business Day that is 40 calendar days after the later of the commencement of the offering of the Notes and the Closing Date (such period, the "**Distribution Compliance Period**"), in each case, sell such interest to a holder that is permitted under the Note Trust Deed and, if the holder does not comply with such demand within 30 calendar days thereof, the Issuer may sell such holder's interest in such Notes.

Prior to expiry of the Distribution Compliance Period, U.S. persons cannot hold an interest in a Global Note Certificate.

Transfer of Interests in Global Note Certificates

References herein to any beneficial interest in a Global Note Certificate (whether a Global Reg S Note or a Global Rule 144A Note) will be deemed to refer to a beneficial interest in the Note or Notes represented by such Global Note Certificate.

Transfers of interests from a Global Reg S Note to a Global Rule 144A Note

A holder of a beneficial interest in a Global Reg S Note relating to a Class of Notes may transfer its interest in such Note to a person who takes delivery in the form of a beneficial interest in the corresponding Global Rule 144A Note, subject to the rules and procedures of Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, only upon receipt by the Registrar of (a) instructions from Euroclear and/or Clearstream Luxembourg, as the case may be, directing the Registrar to record the transfer of Notes to the registered Holder of the corresponding Global Rule 144A Note in an amount, being not less than the relevant Authorised Denomination, equal to the beneficial interest in such Global Reg S Note to be exchanged or transferred, such instructions to contain information regarding the participant account with DTC to be credited with such increase, (b) a certificate given by the holder of such beneficial interest and stating, among other things, that, in the case of a transfer, the person transferring such interest in such Global Reg S Note reasonably believes that the person acquiring such interest in a Global Rule 144A Note is a "qualified institutional buyer" (as defined under Rule 144A) ("**QIB**") who is also a qualified purchaser ("**QP**") (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) and is obtaining

such beneficial interest in a transaction meeting the requirements of Rule 144A and Section 3(c)(7) of the 1940 Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction or that, in the case of an exchange, the holder is a QIB who is also a QP and (c) a letter given by the proposed transferee stating that it is a QIB who is also a QP or that, in the case of an exchange, the proposed holder is a QIB who is also a QP. Any beneficial interest in a Global Reg S Note that is so transferred will, upon transfer, cease to be represented by such Global Reg S Note and will become represented by a beneficial interest in the Global Rule 144A Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such Global Rule 144A Note.

Transfers of interests from a Global Rule 144A Note to a Global Reg S Note

A holder of a beneficial interest in a Global Rule 144A Note may transfer its interest in such Notes to a person who takes delivery in the form of a beneficial interest in the corresponding Global Reg S Note, provided such holder or the transferee, as applicable, is not a U.S. person and subject to the rules and procedures of DTC, only upon receipt by the Registrar of (a) instructions given in accordance with DTC's procedures directing the Registrar to record the transfer of Notes to the registered Holder of the corresponding Global Reg S Note, in an amount, being not less than the relevant Authorised Denomination, equal to the beneficial interest in the Global Rule 144A Note to be exchanged or transferred, (b) a written order given in accordance with DTC's procedures containing information regarding the participant account of Euroclear or Clearstream, Luxembourg account to be credited with such increase and (c) a certificate given by the holder of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Notes, including that the holder or the transferee, as applicable, is not a U.S. person, and pursuant to and in accordance with Regulation S. Each beneficial interest in a Global Rule 144A Note so transferred will, upon transfer, cease to be represented by a beneficial interest in that Global Rule 144A Note and will become represented by a beneficial interest in that Global Reg S Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Global Reg S Note.

Transfers of Notes represented by Global Note Certificates while held by or for the Clearing Systems

Unless and until beneficial interests in the Global Note Certificates are exchanged for Definitive Note Certificates (see "Description of the Notes – Issue of Notes in Definitive Form" above), the Notes represented by Global Note Certificates and registered in the name of a nominee or the Common Depositary, as applicable for a Clearing System may not be transferred except (a) to reduce the Initial Principal Balance of a Global Note Certificate and to increase the Initial Principal Balance of the corresponding Global Note Certificate as provided in the regulations concerning transfers of Notes described herein, and (b) as a whole (1) in the case of a Global Rule 144A Note, by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC, or by DTC or any such nominee to a successor of DTC, and (2) in the case of a Global Reg S Note, by Euroclear or Clearstream, Luxembourg to the Common Depositary or by the Common Depositary to Euroclear or Clearstream, Luxembourg, or another nominee of Euroclear and Clearstream, Luxembourg or by Euroclear and Clearstream, Luxembourg or any such nominee to a successor of Euroclear or Clearstream, Luxembourg, as the case may be, or a nominee of such successor.

Restrictions relating to the form of the Notes

The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. While a Note is represented by a Global Note Certificate this may impair the ability to own, transfer or pledge book-entry interests.

Representations and Agreements by Note Purchasers

Each person who becomes a beneficial owner of Notes represented by an interest in a Global Note (or any Definitive Note issued in exchange for an interest in a Global Note as described above in Condition 1 (*Form, Denomination and Title*)) will be deemed to have represented and agreed as follows:

- (a) In connection with the purchase of the Notes:
 - (1) none of the Issuer or the Bookrunner is acting as a fiduciary or financial or investment adviser for such beneficial owner;
 - (2) such beneficial owner is not relying (for the purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer or the Bookrunner other than any statements in a current prospectus for such Notes;
 - (3) such beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary and has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Note Trust Deed) based upon its own judgment and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer or the Bookrunner;
 - (4) such beneficial owner is (A) in the case of a Global Rule 144A Note, a "qualified institutional buyer" (as defined under Rule 144A) who is also a "qualified purchaser" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) and (B) in the case of an owner of a beneficial interest in the Global Reg S Note, not a "U.S. person" as defined in Regulation S and is acquiring the Notes in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S; and

(5) such beneficial owner is acquiring its interest in the Notes for its own account.

If such beneficial owner is a QIB, then (1) if it is a dealer of the type described in paragraph (a)(1)(ii) of Rule 144A under the Securities Act, it owns and invests on a discretionary basis not less than U.S. \$25,000,000 in securities of issuers that are not affiliated with it and (2) it is not a participant-directed employee plan, such as a 401(k) plan, or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan.

- (b) Such beneficial owner understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future such beneficial owner decides to offer, resell, pledge or otherwise transfer the Notes, such Notes may be offered, resold, pledged or otherwise transferred only in accordance with the provisions of the Note Trust Deed and the legend on such Notes. Such beneficial owner acknowledges that no representation has been made as to the availability of any exemption under the Securities Act or any state securities laws for resale of the Notes. Such beneficial owner acknowledges that the Issuer is relying on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder and that no representation has been made as to the availability of such exemption.
- (c) Such beneficial owner understands that it may not purchase, hold or transfer less than (i) in the case of a Global Rule 144A Note, U.S.\$250,000 aggregate Initial Principal Balance of such Note and (ii) in the case of Global Reg S Notes, GBP100,000 aggregate Initial Principal Balance of such Note or EUR100,000 aggregate Initial Principal Balance of such Note, as applicable. Such beneficial owner understands that prior to expiry of the Distribution Compliance Period any resale or other transfer of beneficial interests in a Global Reg S Note to U.S. persons will not be permitted.
- (d) Such beneficial owner is aware that, except as otherwise provided in the Note Trust Deed, Notes being sold to it, if any, in reliance on Regulation S will be represented by one or more permanent Global Reg S Notes, and that in each case beneficial interests therein may be held only through Euroclear or Clearstream, Luxembourg.
- (e) Such beneficial owner understands that any resale or other transfer of beneficial interests in a Global Reg S Note to U.S. persons, and any resale or other transfer of beneficial interests in a Global Rule 144A Note to any person other than a "qualified institutional buyer" (as defined under Rule 144A) who is also a "qualified purchaser" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder), will not be permitted.
- (f) With respect to Global Rule 144A Notes, such beneficial owner is acquiring such Notes as principal for its own account for investment and not for sale in connection with any distribution thereof, such beneficial owner was not formed for the specific purpose of investing in such Notes or any other securities of the Issuer, and additional capital or similar contributions were not specifically solicited from any person owning a beneficial interest in such beneficial owner for the purpose of enabling such beneficial owner to purchase any Notes and is not a (1) corporation; (2) partnership, (3) common trust fund or (4) special trust, pension, profit sharing or other retirement trust fund or plan in which the shareholders, equity owners, partners, beneficiaries, beneficial owners or participants, as applicable, may designate the particular investments to be made or the allocation of any investment among such shareholders, equity owners, partners, beneficiaries, beneficial owners or participants, and such beneficial owner represents and agrees that it will not hold such Notes for the benefit of any other person and will be the sole beneficial owner thereof for all purposes and that it will not sell participation interests in such Notes or enter into any other arrangement pursuant to which any other person will be entitled to a beneficial interest in the distributions on such Notes and further that such Notes purchased directly or indirectly by it constitute an investment of no more than 40% of such beneficial owner's assets after giving effect to its purchase of Notes and/or other securities of the Issuer. Such beneficial owner is not an investment company that relies on the exclusion from the definition of "investment company" provided by Section 3(c)(1) or Section 3(c)(7) of the 1940 Act (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. persons), which was formed on or before April 30, 1996, unless it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a "qualified purchaser" (within the meaning of Section 2(a)(51) of the 1940 Act and the rules thereunder) in the manner required by Section 2(a)(51)(g) of the 1940 Act and the rules and regulations thereunder. Such beneficial owner understands and agrees that any purported transfer of such Notes to a purchaser (including without limitation, the transfer of Notes to such beneficial owner) that does not comply with the requirements of this paragraph or clause (4) paragraph (a) above will be null and void ab initio and the Issuer retains the right to resell any Notes sold to any purchaser (including, without limitation, such beneficial owner) unless such purchaser complies with this paragraph and clause (4) of paragraph (a) above.
- (g) Such beneficial owner understands that the Issuer may receive a list of the DTC participants holding Notes (i.e. beneficial interests in the Global Rule 144A Notes) from DTC and any other depository through which the Notes (or beneficial interests therein) may be held.
- (h) Such beneficial owner understands and agrees that the Note Trustee will have no responsibility or obligation to any beneficial owner, a member of, or a participant in, DTC or other person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all

payments to be made to Holders in respect of the Notes will be given or made only to or upon the order of the registered Holders (which will be DTC or its nominee in the case of a Global Rule 144A Note). The Note Trustee may rely and will be fully protected in relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

- (i) Such beneficial owner will provide notice to each Person to whom it proposes to transfer any interest in the Notes of the transfer restrictions and representations set forth in the Note Trust Deed and the Agency Agreement.
- (j) Such beneficial owner understands that the Issuer will treat the Senior Notes (as defined in *Taxation of Noteholders – United States Federal Income Tax Considerations*) as debt for U.S. federal income tax purposes and the Class H Notes as equity for U.S. federal income tax purposes, including for any U.S. tax reporting requirements. Such beneficial owner of Notes agrees to treat any interest in the Senior Notes as debt and the Class H Notes as equity for U.S. federal income tax purposes, including any U.S. tax reporting requirements.
- (k) Such beneficial owner understands that the Issuer will take the position that the Issuer is not engaged in a trade or business within the United States for U.S. federal income tax purposes, other than possibly investing and trading in securities, and such beneficial owner agrees not to take any position inconsistent with such position.

Such beneficial owner understands that on each day from the date on which it acquires Notes through and including the date on which it disposes of its interests in the Notes, either (a) in the case of Class A1 Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes, either (1) it is not an "employee benefit plan" as defined in and subject to the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (2) any other "plan" as described in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), or (3) an entity using the assets of or acting on behalf of such an employee benefit plan or other plan, or an entity whose underlying assets are deemed to include plan assets of any such employee benefit plan or other plan (collectively, a "**Plan**"), or (2) its purchase and holding of such Note or any interest therein will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or (b) in the case of Class H Notes it is not a Plan.

THE ISSUER

The Issuer, Regent Street Finance Limited, was incorporated in Jersey, Channel Islands on 12 February, 2007 as a special purpose vehicle for the purpose of issuing the Notes. The Issuer was incorporated under the Companies (Jersey) Law 1991 as a public company of unlimited duration and with limited liability. Its registered number is 95912.

The Issuer's registered office and principal place of business is at 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands, where the Issuer's register of members is kept (telephone no.: 00 44 1534 814 814). The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer and at the offices of the Note Trustee at One Canada Square, London E14 5AL.

The Issuer is (via bare trust nominees) wholly owned by Bedell Trustees Limited ("**BTL**") as trustee of the Regent Street Charitable Trust, a trust company incorporated in Jersey and having its registered office at 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands. The consent of the Jersey Financial Services Commission to the Issuer issuing the Notes is subject to the condition that there can be no change in the ownership of the Issuer without the prior approval of an officer of the Jersey Financial Services Commission. The Issuer has no subsidiaries.

Directors, Secretary and Corporate Services

The Directors of the Issuer and their respective business addresses and other principal activities are:

<i>Name</i>	<i>Nationality</i>	<i>Business Address</i>	<i>Occupation</i>
Richard Charles Gerwat	British	26 New Street St. Helier Jersey Channel Islands Telephone no.: 00 44 1534 814 814	Advocate
Shane Michael Hollywood	British	26 New Street St. Helier Jersey Channel Islands Telephone no.: 00 44 1534 814 814	Advocate

The Secretary of the Issuer is Bedell Secretaries Limited ("**BSL**") whose registered office is at 26 New Street, St. Helier, Jersey, Channel Islands.

Bedell Trust Company Limited ("**BTC**" and the "**Corporate Services Provider**") has agreed, pursuant to and on the terms of a corporate services agreement (the "**Corporate Services Agreement**") dated the Closing Date, to provide certain corporate services to the Issuer, including the provision of directors and the secretary. Fees are payable to BTC thereunder. BTL and BSL are both companies in the Bedell Group.

Management and Control

The Issuer is managed and controlled in Jersey, Channel Islands.

Conflict of Interests

Each of the Directors is a partner both of the Bedell Group (which ultimately owns BTL, BTC and BSL) and of the law firm Bedell Cristin Jersey Partnership. Bedell Cristin is legal adviser to the Issuer as to matters of Jersey law and fees will be payable to Bedell Cristin from time to time for acting in such capacity. Fees are payable to BTC pursuant to and in accordance with the terms of the Corporate Services Agreement. The Issuer is aware that the payment of such fees and the appointments of the Directors may result in potential conflicts of interests between the duties owed to it and the private interests of its board of directors.

Principal Activities

The Issuer's principal activities, as outlined at item 7 of the Issuer's Memorandum of Association, will be the issue of the Notes and the execution and performance of the Transaction Documents, the execution and performance of all documents relating thereto to which it is expressed to be a party, the exercise of related rights and powers and other activities reasonably incidental thereto.

Share Capital

The authorised share capital of the Issuer is £2 comprising 2 shares of £1 each. The issued and paid up share capital of the Issuer is £2 as at the date of this Prospectus.

Auditors

The auditors of the Issuer are Ernst & Young LLP at Unity Chambers, 28 Halkett Street, St. Helier, Jersey, JE1 1EY, Channel Islands.

Ernst & Young LLP is a limited liability partnership and a member of Ernst & Young International. Ernst & Young LLP is a registered auditor and is authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

THE ADMINISTRATOR

The following description of the Administration and Cash Management Agreement consists of summaries of certain provisions of the Administration and Cash Management Agreement and is qualified by reference to the provisions of the Administration and Cash Management Agreement. The description does not, however, restate the terms of the Administration and Cash Management Agreement in its entirety and prospective investors must refer to the Administration and Cash Management Agreement for detailed information.

General Provisions

The Administrator will be responsible for the day-to-day operations of the Issuer (other than those services provided in Jersey by the Corporate Services Provider pursuant to the Corporate Services Agreement) and will provide accounting, clerical and administrative and cash management services to the Issuer. The Administrator will also be responsible for, among other things, preparing the Investors' Report and the Cash Administrator's Report (as described more fully in the section titled "Description of Noteholder reports" below). The Administrator will perform such role until its resignation or dissolution or its removal by the Issuer. No resignation or removal of the Administrator while any Notes are outstanding will become effective until a successor administrator approved by the Security Trustee has been appointed. In addition, the consent of the Jersey Financial Services Commission to the Issuer issuing the Notes is subject to the condition that there can be no change in the Administrator without the prior approval of an officer of the Jersey Financial Services Commission. The Administration and Cash Management Agreement may be amended by the parties thereto.

Indemnification of Administrator

Pursuant to the Administration and Cash Management Agreement (and subject to the limited recourse provisions contained therein), the Administrator and its directors, officers, employees and agents will be indemnified and held harmless by the Issuer against any and all claims, actions, losses, liabilities, damages, costs and expenses (including without limitation its reasonable legal fees and expenses but excluding, in each case any special, indirect, punitive or consequential losses or damage) incurred by it, other than by reason of its fraud, recklessness, negligence, wilful misconduct, breach of contract, or bad faith, arising out of or in connection with the exercise or performance of any of its or their powers or duties under the Administration and Cash Management Agreement, including the costs and expenses of defence against any claim or liability in connection therewith.

Administrator's fee

For its services rendered under the Administration and Cash Management Agreement, the Administrator will receive a fee (the "Administrator's Fee"). The Administrator's Fee will be payable by the Issuer. Any fees payable to affiliates of the Administrator for duties delegated to such other parties as contemplated in the Administration and Cash Management Agreement will be paid by the Administrator out of the Administrator's Fee.

Termination

If any of the following events shall occur:

- (a) default is made by the Administrator in the performance or observance of any of its covenants and obligations under the Administration and Cash Management Agreement, which in the sole opinion of the Security Trustee is materially prejudicial to the interests of any Secured Party and which, in the case of a default that is in the sole opinion of the Security Trustee remediable, continues unremedied for a period of 30 calendar days after written notice by the Security Trustee requiring the same to be remedied;
- (b) an order is made or an effective resolution passed for winding up the Administrator;
- (c) the Administrator ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of any amounts due to its creditors generally or becomes unable to pay its debts as they fall due or otherwise becomes insolvent; or
- (d) (other than in the case of a reorganisation the terms of which have been approved by the Security Trustee and where the Administrator is solvent) an order is made against the Administrator under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an administrative or other receiver, administrator or other similar official is appointed in relation to the Administrator or in relation to the whole or any substantial part of the undertaking or assets of the Administrator or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Administrator, and in any of the foregoing cases it shall not be discharged within 30 calendar days, or if the Administrator shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally,

then the Security Trustee, or the Issuer with the prior written consent of the Security Trustee, may by notice in writing to the Administrator, copied to each Rating Agency and the Portfolio Swap Counterparty, terminate the Administration and Cash

Management Agreement, but without prejudice to any then existing rights and liabilities of the parties thereto, **provided that** such termination shall not be effective until a successor administrator, approved by the Security Trustee and an officer of the Jersey Financial Services Commission, has been appointed.

Forthwith after service of a notice of termination, the Administrator shall deliver to (and in the meantime hold on trust for and to the order of) the Issuer as it shall direct all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the Issuer, any original contracts and/or the Transaction Documents, any moneys then held by the Administrator on behalf of the Issuer and/or the Security Trustee and any other assets of the Issuer or the Security Trustee and shall take such further action as the Issuer or the Security Trustee may reasonably direct.

Appointment of Substitute Administrator

The Issuer shall, promptly after the service of notice of termination of the Administration and Cash Management Agreement, appoint as administrator any person to succeed the Administrator or any successor Administrator previously appointed (a "**Substitute Administrator**"), on the condition in each case that (a) the Substitute Administrator agrees with the Issuer to perform the duties and obligations of the Administrator pursuant to and in accordance with the terms of the Administration and Cash Management Agreement and (b) that each Rating Agency has confirmed that it will not reduce, suspend or withdraw its then existing rating of the outstanding Notes or place any Class of Notes on credit watch with downward implications solely due to such replacement. Prior to the appointment of a Substitute Administrator the Issuer shall seek the written consent of the Security Trustee and an officer of the Jersey Financial Services Commission to any such appointment and no such appointment shall be made without each such consent. Following the appointment of a Substitute Administrator, the Administrator shall, notwithstanding that the date of termination of its appointment as specified in the relevant notice may not at such time have occurred, be discharged from performing further the obligations set out in the Administration and Cash Management Agreement and without prejudice to the Issuer's and the Security Trustee's right to sue the Administrator or make any other claim or take any other action with respect to a breach by the Administrator of its obligations prior to the termination of its appointment as Administrator.

THE CORPORATE SERVICES PROVIDER

The following description of the Corporate Services Provider and Corporate Services Agreement consists of summaries of certain provisions of the Corporate Services Agreement and is qualified by reference to the provisions of the Corporate Services Agreement. The description does not, however, restate the terms of the Corporate Services Agreement in its entirety and prospective investors must refer to the Corporate Services Agreement for detailed information.

Bedell Trust Company Limited of 26 New Street, St. Helier, Jersey, Channel Islands has been appointed to act as the Corporate Services Provider pursuant to the Corporate Services Agreement. Bedell Trust Company Limited is an independent Jersey trust company wholly owned by the partners from time to time of the Bedell Group (the "**Partnership**"). Bedell Trust Company Limited is regulated by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998, for the purpose of carrying on trust company business.

General Provisions

The Corporate Services Provider will be responsible for providing or procuring the provision of corporate administration services (the "**Services**") to the Issuer in Jersey, Channel Islands, including, but not limited to, (i) performing all general company secretarial, registrar and company administration services for the Issuer (other than (a) any services to be performed in connection with the listing, or maintenance of the listing of any securities of the Issuer and (b) such services as shall be rendered to the Issuer pursuant to the Transaction Documents other than the Corporate Services Agreement), including the provision of at least two directors and a secretary of the Issuer; (ii) keeping duplicate copy accounts of the Issuer provided by the directors and such books and records as are required by any applicable law or otherwise for the proper conduct of the affairs of the Issuer and, upon instructions from the directors, preparing for forwarding to members of the Issuer all statements and notices which the board is required to issue, send or serve in accordance with the Articles of Association of the Issuer; (iii) providing adequate staff and other facilities in Jersey, Channel Islands (including the provision of the Issuer's registered office, telephone and facsimile transmission facilities) for efficiently performing its functions as Corporate Services Provider and carrying on its duties under the Corporate Services Agreement; (iv) filing in a timely fashion (insofar as the directors have duly approved, signed and delivered the same and monies in respect of applicable fees are made available by or on behalf of the Issuer) the annual return of shareholders, annual applications for exempt company status and any other applicable statutory returns and exempt company tax filings in Jersey, Channel Islands; (v) accepting service of process and any other documents or notices to be served on the Issuer in Jersey, Channel Islands; (vi) providing such other corporate administration services as may be required by the Issuer from time to time and agreed by the Corporate Services Provider; and (vii) arranging for the preparation of the accounts of the Issuer.

Termination

Upon the termination of Corporate Services Agreement howsoever occurring, the Corporate Services Provider and the Partnership shall use their best endeavours to assist in the orderly transfer of the administration of the Issuer and shall be entitled to charge and be paid fees to the date of termination and at their respective normal rates in force at that time for any work done in transferring the administration of the Issuer.

Indemnification of the Corporate Services Provider

The Issuer undertakes (subject always to the provisions of the Companies (Jersey) Law 1991) to indemnify and hold harmless the Corporate Services Provider and the Partnership together with any or all of the respective officers, employees, servants, successors, assigns or duly appointed agents of each of the Corporate Services Provider and the Partnership (the "**Delegates**") against all actions, proceedings, accounts, claims or demands and any costs and expenses reasonably incurred in connection therewith which may be brought or made or threatened to be brought or made against the Corporate Services Provider or any Delegate in connection with the affairs of the Issuer including without prejudice to the generality of the foregoing in connection with the services provided by the Corporate Services Provider or any Delegate under the Corporate Services Agreement save to the extent that any such liability shall have arisen solely from the fraud, bad faith, wilful misconduct or negligence of the Corporate Services Provider or any Delegate, including the costs and expenses of defence against any claim or liability in connection therewith.

Corporate Services Provider's fee

For its services rendered under the Corporate Services Agreement, the Corporate Services Provider is to receive a corporate services provider's fee (the "**Corporate Services Provider's Fee**") and to be reimbursed for all disbursements reasonably incurred in connection with the provision of the services. The Corporate Services Provider's Fee is payable by the Issuer.

THE ACCOUNT BANK AGREEMENT

The following description of the Account Bank Agreement consists of summaries of certain provisions of the Account Bank Agreement and is qualified by reference to the provisions of the Account Bank Agreement. The description does not, however, restate the terms of the Account Bank Agreement in its entirety and prospective investors must refer to the Account Bank Agreement for detailed information.

Deposit of Funds

The net issue proceeds of the Notes will initially be credited to the Principal Collections Account and thereafter invested in a GIC Arrangement documented under the Investment Agreement. Pursuant to the Portfolio Credit Swap, each payment by the Portfolio Swap Counterparty of Portfolio Credit Swap Premium and Cash Reserve Amounts will be paid into the Interest Collections Account and the Cash Reserve Account, respectively. Pursuant to the Investment Agreement, any Repo Arrangement and any TRS Arrangement, each payment by the GIC Provider of GIC Interest, each payment by any Eligible Repo Counterparty of Repo Premium and each payment by an Eligible TRS Counterparty of TRS Premium will be paid into the Interest Collections Account and withdrawals from the Investment Agreement (other than of GIC Interest), sale proceeds of any Repo Collateral and TRS Principal Realisations will be credited to the Principal Collections Account. If the Applicable Collateral Arrangement is or includes a Repo Arrangement, any Euro cash margin and all proceeds of the redemption of Eligible Investments will be credited to a Repo Collections Account denominated in the relevant currency. Any Income required to be paid to the Issuer in accordance with the provisions of the Repurchase Agreement will be credited to a Repo Collections Account denominated in the relevant currency.

Withdrawal from the Accounts

Unless all Secured Obligations of the Issuer will have been discharged in full, neither the Issuer nor the Administrator will, without the consent of the Security Trustee and the Portfolio Swap Counterparty, be entitled to withdraw the monies standing to the credit of any Account or any part thereof (other than to transfer interest amounts to the Interest Collections Account) unless and to the extent that its withdrawal is to make payments anticipated under the Security Trust Deed.

If the directions to withdraw funds to make a payment are received by the Account Bank before 11:00 a.m. London time on a Business Day, the Account Bank will if so directed comply with such directions by no later than the close of business on that day. With respect to directions received after 11:00 a.m. London time on any Business Day, or on a day which is not a Business Day, the Account Bank is required to comply with such directions on the following Business Day, or such later Business Day as so directed.

Interest on the Accounts

Interest on the Interest Collections Account

Interest will accrue on the Interest Collections Account for each Interest Period from, and including, the Closing Date up to, but excluding, the Legal Maturity Date, at a rate of interest equal to the rate agreed by the Issuer and the Account Bank on the Closing Date on any credit balance on the Interest Collections Account and will be credited to the Interest Collections Account in arrear on each Payment Date.

Interest on the Principal Collections Account

Interest will accrue on the Principal Collections Account for each Interest Period from, and including, the Closing Date up to, but excluding, the Legal Maturity Date, at a rate of interest equal to the rate agreed by the Issuer and the Account Bank on the Closing Date on any credit balance on the Principal Collections Account and will be credited to the Interest Collections Account in arrear on each Payment Date.

Interest on the Cash Reserve Account

Interest will accrue on the Cash Reserve Account for each Interest Period from, and including, the Closing Date up to but, excluding, the Legal Maturity Date, at a rate of interest equal to the rate agreed by the Issuer and the Account Bank on the Closing Date on any credit balance on the Cash Reserve Account and will be credited, net of any applicable taxes, to the Cash Reserve Account in arrear on each Payment Date.

Interest on the Dollar Repo Substitutions Account

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, interest will accrue on the Dollar Repo Substitutions Account for each Interest Period from, and including, the Closing Date up to but, excluding, the Legal Maturity Date, at a rate of interest equal to the rate agreed by the Issuer and the Account Bank on the Closing Date on any credit balance on the Dollar Repo Substitutions Account and will be paid, net of any applicable taxes, to the Eligible Repo Counterparty in arrear at the end of each period as may be agreed with the Account Bank from time to time; **Provided that**, if the Administrator advises the Account Bank that such payment of interest to the Eligible Repo Counterparty would result in a Collateral Value Deficiency or would increase any Collateral Value Deficiency, such accrued interest shall be retained in the Dollar Repo Substitutions Account until such time as its payment would not result in a Collateral Value Deficiency or would not increase any Collateral Value Deficiency.

Interest on the Euro Repo Cash Account

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, interest will accrue on the Euro Repo Cash Account for each Interest Period from, and including, the Closing Date up to but, excluding, the Legal Maturity Date, at a rate of interest equal to the rate agreed by the Issuer and the Account Bank on the Closing Date on any credit balance on the Euro Repo Cash Account and will be paid, net of any applicable taxes, to the Eligible Repo Counterparty in arrear at the end of each period as may be agreed with the Account Bank from time to time; **Provided that**, if the Administrator advises the Account Bank that such payment of interest to the Eligible Repo Counterparty would result in a Collateral Value Deficiency or would increase any Collateral Value Deficiency, such accrued interest shall be retained in the Euro Repo Cash Account until such time as its payment would not result in a Collateral Value Deficiency or would not increase any Collateral Value Deficiency.

Interest on the Sterling Repo Substitutions Account

If the Applicable Collateral Arrangement is or includes a Repo Arrangement, interest will accrue on the Sterling Repo Substitutions Account for each Interest Period from, and including, the Closing Date up to but, excluding, the Legal Maturity Date, at a rate of interest equal to the rate agreed by the Issuer and the Account Bank on the Closing Date on any credit balance on the Sterling Repo Substitutions Account and will be paid, net of any applicable taxes, to the Eligible Repo Counterparty in arrear at the end of each period as may be agreed with the Account Bank from time to time; **Provided that**, if the Administrator advises the Account Bank that such payment of interest to the Eligible Repo Counterparty would result in a Collateral Value Deficiency or would increase any Collateral Value Deficiency, such accrued interest shall be retained in the Sterling Repo Substitutions Account until such time as its payment would not result in a Collateral Value Deficiency or would not increase any Collateral Value Deficiency.

Termination of Account Bank Agreement

Termination by Account Bank

Subject to the general provisions relating to the termination of the Account Bank Agreement described below, the Account Bank Agreement may be terminated upon the expiry of not less than one month's written notice of termination given by the Account Bank to the Issuer.

Termination of Account Bank Agreement by Issuer

Subject to the general provisions relating to the termination of the Account Bank Agreement described below, the Account Bank Agreement may be terminated by the Issuer upon the expiry of not less than three months written notice of termination given by the Issuer to the Account Bank.

Termination upon downgrade of Account Bank, insolvency or tax event

Subject to the general provisions relating to the termination of the Account Bank Agreement described below, the Account Bank Agreement may be terminated by the Issuer upon the expiry of not less than five Business Days written notice to the Account Bank, and will be terminated by the Issuer if so directed by an Extraordinary Resolution of the Controlling Class, in the event that:

- (a) the Account Bank's long-term unsecured debt obligations are rated below A by Fitch or A2 by Moody's or the Account Bank's short-term unsecured debt obligations are rated below F1 by Fitch or P-1 by Moody's (a "**downgrade**") and the Account Bank has not found (at its expense), within 30 Business Days of such downgrade becoming effective, a replacement bank rated at least, F1 and A by Fitch and at least P-1 and A2 by Moody's to act as Account Bank under the Account Bank Agreement;
- (b) the Account Bank becomes unwilling or incapable of acting, or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or appoints or consents to the appointment of an administrator or other receiver of its property, or if a public officer takes charge or control of the Account Bank or of its property or affairs for the purpose of rehabilitation, administration or liquidation; or
- (c) the Account Bank delivers a written notice to the Issuer that the Account Bank will or there is a substantial likelihood that the Account Bank will be, on the next succeeding Payment Date, required to deduct or withhold an amount on account of Tax from any amount payable to the Issuer in respect of the Principal Collections Account, the Interest Collections Account or the Cash Reserve Account.

General conditions relating to termination of Account Bank Agreement

Termination of the Account Bank Agreement may only occur with the written consent of the Security Trustee and the Portfolio Swap Counterparty. Notice of the termination of the Account Bank Agreement must be delivered to the Administrator, the Portfolio Swap Counterparty, the Security Trustee and each Rating Agency.

Such termination will also be subject to the appointment by the Issuer of a substitute bank (a) the appointment of which is approved in writing by the Security Trustee and the Portfolio Swap Counterparty (and, in the case of a retirement by the Account Bank, the Account Bank) and is effective not later than the termination of the Account Bank Agreement, (b) which

has entered into an agreement with the Issuer, the Security Trustee and the Portfolio Swap Counterparty substantially on the terms of the Account Bank Agreement and (c) is rated at least F1 and A by Fitch and P-1 and A2 by Moody's.

The Issuer will, promptly following the entry into a replacement account bank agreement, notify each Rating Agency in writing of the identity of such substitute account bank and assign its interest in such agreement and any accounts created thereunder in favour of the Security Trustee on the terms of the assignment in respect of the Account Bank Agreement and the Accounts as contained in the Security Trust Deed, *mutatis mutandis*, to the satisfaction of the Security Trustee.

DESCRIPTION OF NOTEHOLDER REPORTS

Pursuant to the terms of the Administration and Cash Management Agreement, the Administrator will prepare and make available a number of reports relating to the transaction. The following description is a summary of specific provisions of the Administration and Cash Management Agreement and is qualified by reference to the provisions of the Administration and Cash Management Agreement. The description does not, however, restate the terms of the Administration and Cash Management Agreement in its entirety and prospective investors must refer to the Administration and Cash Management Agreement for detailed information.

Investors' Report

Within 15 Business Days after each Interest Payment Date (the "**relevant Payment Date**"), the Administrator will produce and deliver to the Issuer and, unless such party directs otherwise, the Portfolio Swap Counterparty, the Registrar, the Paying Agents, the Note Trustee and each Rating Agency, and if after the Enforcement Date, or at any other time if so requested, then also deliver to the Security Trustee, and will also make available at the Specified Office of the Principal Paying Agent, an investors' report (the "**Investors' Report**") in respect of the period commencing on and including the Interest Payment Date immediately preceding the relevant Payment Date (or in the case of the first Interest Payment Date, the Closing Date) and ending on but excluding the relevant Payment Date.

The Investors' Report will set forth, amongst other things, the following information in respect of the reporting period:

- (a) details of each Replacement made during the relevant Interest Period in the Reference Portfolio and its compliance with the applicable Trading Guidelines;
- (b) details of Credit Event Notices delivered to the Issuer pursuant to the Portfolio Credit Swap;
- (c) any Cash Settlement Amount payments made by the Issuer pursuant to the Portfolio Credit Swap;
- (d) the amounts of the Noteholder Contribution applicable to each Cash Settlement Amount (if any) and the resulting Adjusted Principal Balance of the Notes;
- (e) the aggregate Interest Amount paid to the Noteholders;
- (f) details of any Credit Event Notices duly delivered prior to the relevant Payment Date and in respect of which the Issuer remains potentially liable to make a Cash Settlement Amount payment under the Portfolio Credit Swap; and
- (g) any rating changes with respect to the Notes.

Cash Administrator's Report

Within 15 Business Days after each Interest Payment Date (the "**relevant Payment Date**"), the Administrator will deliver to the Issuer and, unless such party directs otherwise, the Portfolio Swap Counterparty, the Registrar, the Paying Agents, the Note Trustee and each Rating Agency, and if after the Enforcement Date, or at any other time if so requested, then also deliver to the Security Trustee, and will also make available at the Specified Office of the Principal Paying Agent, a consolidated report (the "**Cash Administrator's Report**") in respect of the period commencing on and including the Interest Payment Date immediately preceding the relevant Payment Date (or in the case of the first Interest Payment Date, the Closing Date) and ending on but excluding the relevant Payment Date.

The Cash Administrator's Report will set forth, amongst other things, the following information with respect to the Notes in respect of the reporting period:

- (a) Portfolio Credit Swap Premium payments received pursuant to the Portfolio Credit Swap and the interest earned on and credited to the Accounts;
- (b) the Expenses and aggregate Cash Settlement Amounts, if any, paid on the relevant Payment Date;
- (c) the Interest Amount and amount of any principal paid in respect of each Class of Notes and the Adjusted Principal Balance (as at such Payment Date) in respect of each Class of Notes; and
- (d) the date of the next following Interest Payment Date, EURIBOR, the Rate of Interest in respect of each Class of Notes and the aggregate Interest Amount payable in respect of each Class of Notes for the Interest Period commencing on the relevant Payment Date.

SECURITY TRUSTEE, NOTE TRUSTEE AND AGENTS

The following description of the Security Trustee, the Note Trustee and the Agents consists of summaries of certain provisions of the Security Trust Deed, the Note Trust Deed and the Agency Agreement and is qualified by reference to the provisions of the Security Trust Deed, the Note Trust Deed and the Agency Agreement, as appropriate. The description does not, however, restate the terms of either the Security Trust Deed, the Note Trust Deed or the Agency Agreement in their entirety and prospective investors must refer to the Security Trust Deed, the Note Trust Deed and the Agency Agreement for detailed information

The Security Trustee and the Note Trustee

Security Trustee

BNY Corporate Trustee Services Limited will act as security trustee (in such capacity, the "**Security Trustee**" which expression includes all persons for the time being appointed security trustee or security trustees under the Security Trust Deed and any Successor thereto) of the security granted by the Issuer under the Security Trust Deed dated 28 February, 2007, on behalf of itself, the Noteholders and the other Secured Parties.

The Security Trustee may retire upon 60 calendar days prior written notice to the Issuer, **provided that** no resignation will be effective until a successor security trustee has been appointed or a security trustee (which is a trust corporation) remains as security trustee. Following receipt of such notice, the Issuer will (unless a trust corporation remains as security trustee) use its best endeavours to appoint a successor security trustee which is approved in writing by the Portfolio Swap Counterparty and the Note Trustee. In the event that the Issuer has not appointed a successor trustee within 60 calendar days from the receipt of the Security Trustee's notice of intention to resign, the retiring Security Trustee may, after consultation with the Issuer, the Portfolio Swap Counterparty and the Note Trustee, appoint a successor trustee which is a trust corporation.

The Security Trust Deed also provides that the Issuer may (or will if directed by the Portfolio Swap Counterparty and the Note Trustee) with prior notice to the Security Trustee terminate the appointment of the Security Trustee at any time if the Security Trustee (a) becomes incapable of acting, (b) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or other receiver of all or any substantial part of its property, or an administrator, liquidator or other receiver of the Security Trustee or all or a substantial part of its property is appointed, or if a court approves a petition filed by or against the Security Trustee under any applicable bankruptcy or insolvency law or any public officer takes charge or control of the Security Trustee or of its property or affairs for the purpose of rehabilitation, administration or liquidation, or (c) having become bound to act in accordance with the terms of the Security Trust Deed following the occurrence of an Event of Default (as defined in the Conditions) and/or a Collateral Acceleration Event which is continuing and after 30 calendar days of written notice to the Security Trustee, the Security Trustee has failed to act.

In addition, the Portfolio Swap Counterparty and the Note Trustee together have the power to remove, on not less than 60 calendar days prior written notice, any security trustee or security trustees for the time being of the Security Trust Deed.

No termination of the appointment of the Security Trustee will be effective unless there remains a security trustee (which is a trust corporation) in office after such removal or a successor security trustee has been appointed. In addition, the consent of the Jersey Financial Services Commission to the Issuer issuing the Notes is subject to the condition that there can be no change in the Security Trustee without the prior approval of an officer of the Jersey Financial Services Commission.

Note Trustee

BNY Corporate Trustee Services Limited will act as note trustee (in such capacity, the "**Note Trustee**" which expression includes all persons for the time being appointed note trustee or note trustees under the Note Trust Deed and any Successor thereto) of the Notes on behalf of the Noteholders under the Note Trust Deed dated 28 February, 2007.

The Note Trustee may retire upon 60 calendar days prior written notice to the Issuer and the Administrator, **provided that** no resignation will be effective until a successor note trustee has been appointed or a note trustee (which is a trust corporation) remains as note trustee. Following receipt of such notice, the Issuer will (unless a trust corporation remains as note trustee) use its best endeavours to appoint a successor note trustee which is approved by an Extraordinary Resolution of the Controlling Class. In the event that the Issuer has not appointed a successor trustee within 60 calendar days from the receipt of the Note Trustee's notice of intention to resign, the retiring Note Trustee may, after consultation with the Issuer and the Controlling Class, appoint a successor trustee which is a trust corporation.

The Note Trust Deed also provides that the Issuer may (or will if directed by an Extraordinary Resolution of each Class of Noteholders and in writing by the Portfolio Swap Counterparty), with prior notice to the Security Trustee, terminate the appointment of the Note Trustee at any time if the Note Trustee (a) becomes incapable of acting, (b) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or other receiver of all or any substantial part of its property, or an administrator, liquidator or other receiver of the Note Trustee or of all or a substantial part of its property is appointed, or if a court approves a petition filed by or against the Note Trustee under any applicable bankruptcy or insolvency law or any public officer takes charge or control of the Note Trustee or of its property or affairs for the purpose of rehabilitation, administration or liquidation or (c) having become bound to do so and requested in writing by the requisite majority of Noteholders, and after 30 calendar days written notice to the Note Trustee, the Note Trustee fails to deliver a Note Default Notice or Collateral Acceleration Note Redemption Notice (as defined in the Conditions).

In addition, the Controlling Class will have the power, exercisable by Extraordinary Resolution, to remove, on not less than 60 calendar days prior written notice, any note trustee or note trustees for the time being of the Note Trust Deed.

No termination of the appointment of a Note Trustee will be effective unless there remains a note trustee (which is a trust corporation) in office after such removal or a successor note trustee has been appointed.

General Provisions

Further, neither the Note Trustee nor the Security Trustee (together, the "**Trustees**") will be liable for any damage, loss, costs or expenses whatsoever suffered, sustained or incurred by the Issuer or any Noteholder (including any special, indirect, punitive or consequential loss or damage of any kind) at any time as a consequence of any action taken, or refraining from taking any action, in good faith in accordance with the Note Trust Deed or the Security Trust Deed, and both the Note Trustee and the Security Trustee will be indemnified and/or provided with security by the Issuer against all liabilities, proceedings, claims, demands, costs, charges and expenses incurred by the Note Trustee under the Note Trust Deed and/or the Security Trustee under the Security Trust Deed (in each case, subject to the limited recourse provisions contained therein), as the case may be, unless caused by the negligence, wilful default, breach of duty, breach of trust or fraud of the Note Trustee or the Security Trustee, as the case may be.

Neither of the Trustees and no director or officer of any corporation being a Note Trustee or a Security Trustee at any time are precluded, by reason of the fiduciary position of the Trustees, from making any contracts or entering into any transactions in the ordinary course of business with the Issuer, any other party to a Transaction Document or any person or body corporate directly or indirectly associated with the Issuer, and neither the Trustees nor any such director or officer will be accountable to the Noteholders, the Issuer, or any person or body corporate directly or indirectly associated with the Issuer or any other party to a Transaction Document for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Note Trustee and the Security Trustee will also be at liberty to retain the same for its own benefit.

Further, the Trustees will not be responsible for, amongst other things:

- (a) monitoring or supervising the functions of any other person under any Transaction Document and, without limitation, will not be under any obligation to monitor, verify or determine and will not have any liability to any Secured Party or any other person with respect to the Portfolio Credit Swap, the Reference Registry, the occurrence or type of any Credit Event, any amount determined pursuant to any valuation procedure thereunder, or any Cash Settlement Amount payable thereunder, and will be entitled, in the absence of actual knowledge of a breach of obligation, to assume that each such person is properly performing its obligations; and
- (b) the performance by any party to a Transaction Document of its obligations thereunder or lack thereof, or for any loss or damage (including any special, indirect, punitive or consequential loss or damage of any kind) suffered as a result of any acts, omissions or defaults on the part of any such party for the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, pursuant to or in connection with any Transaction Document.

Obligations of the Security Trustee in relation to the Security

The Security Trustee will not be responsible for (a) any loss, damage, expense or other liability (including any special, indirect, punitive or consequential loss or damage of any kind) which may be suffered as a result of any Charged Assets, or any deed or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of any party to a Transaction Document or any agent of such party or by any clearing system or their operators or by intermediaries such as banks, brokers or other similar persons on behalf thereof, except in circumstances where such loss, damage, expense or other liability arises from its fraud, negligence or wilful misconduct or (b) any unsuitability, inadequacy or unfitness of any Charged Assets and will not be obliged to make any investigation into, and will be entitled to assume, the suitability, adequacy and fitness of the Charged Assets as security for the Secured Obligations and will have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

Neither Security Trustee nor any Receiver appointed pursuant to the Security Trustee Deed nor any agent or attorney of the Security Trustee, by reason of taking possession of the whole or any part of the Charged Assets, be liable to account for anything except actual receipts or be liable for any loss or damage arising from the realisation of the whole or any part of the Charged Assets or from any act, default or omission in relation to the whole or any part of the Charged Assets or from any exercise or non-exercise by it of any power, authority or discretion conferred upon it in relation to the whole or any part of the Charged Assets by or pursuant to the Security Trust Deed or otherwise, unless such loss or damage is caused by its own negligence, wilful default, breach of duty, breach of trust or fraud.

Remuneration, Indemnification and Expenses

For its services rendered by the Note Trustee under the Note Trust Deed and by the Security Trustee under the Security Trust Deed, the Issuer will pay the Note Trustee and the Security Trustee the fees agreed between the Issuer and the Note Trustee and the Security Trustee respectively.

The Note Trust Deed and Security Trust Deed respectively provide (in each case, subject to the limited recourse provisions contained therein) that each of the Note Trustee and the Security Trustee are entitled to be indemnified and/or secured and

relieved from responsibility in certain circumstances and to be paid its remuneration, costs and expenses in priority to the claims of the Noteholders.

The Agency Agreement and the Agents

The Notes are the subject of the Agency Agreement. Pursuant to the Agency Agreement, the Registrar, the Principal Paying Agent, the Irish Paying Agent, the Expenses Agent, the Exchange Rate Agent and the Agent Bank will provide various services and perform various functions in relation to the Notes.

References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Irish Paying Agent, the Expenses Agent, the Exchange Rate Agent and the Agent Bank and any reference to an "**Agent**" is to any one of them.

Appointment, resignation and termination of appointment

All or any of the Agents may resign their respective appointments under the Agency Agreement at any time by giving to the Issuer, the Note Trustee and the Security Trustee and, where appropriate, the Principal Paying Agent at least 90 calendar days prior written notice to that effect **provided that**, so long as any of the Notes are outstanding, the notice will not, in the case of a Paying Agent, expire less than 45 calendar days before any due date for the payment of interest.

The Issuer may from time to time with the prior written approval of the Note Trustee and the Security Trustee and in the case of a Paying Agent, the Principal Paying Agent, appoint one or more additional and/or successor principal paying agents, paying agents, transfer agents, expenses agents, exchange rate agents or registrars. Any successor Agent, following the execution of necessary documentation, will become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of its predecessor with like effect as if originally named as an Agent. The appointment of any additional Agent will be on the same terms as the existing Agents.

The Issuer may, with the prior written approval of the Note Trustee and the Security Trustee terminate the appointment of any Agent at any time and/or appoint additional or other Agents by giving to the Agent whose appointment is concerned at least 30 calendar days prior written notice to that effect (with a copy of such notice to each other Agent) **provided that**, so long as any of the Notes are outstanding, the notice will not, in the case of a Paying Agent, expire less than 45 calendar days before any due date for the payment of interest. Further, in certain limited circumstances described in the Agency Agreement, the Issuer may, with the prior written approval of the Note Trustee and the Security Trustee terminate the appointment of an Agent without notice.

The termination of the appointment of an Agent (whether by the Issuer or by the resignation by such Agent) will not be effective unless upon the expiry of the relevant notice there is (a) a Principal Paying Agent with its Specified Office located outside of the United States of America or its possessions and the unsecured short-term debt obligations of which are rated at least F1 by Fitch and P-1 by Moody's, (b) a Paying Agent with its Specified Office in a Member State of the European Union which meets the criteria specified in the Agency Agreement, (c) a Registrar, (d) so long as the Notes are listed on the Irish Stock Exchange, a Paying Agent and Transfer Agent with its Specified Office in Ireland, (e) an Agent Bank, (f) an Expenses Agent and (g) Exchange Rate Agent the unsecured short-term debt obligations of which are rated at least F1 by Fitch and at least P1- by Moody's.

Indemnification and remuneration of Agents

Each Agent severally indemnifies the Issuer (and, in certain circumstances, the Note Trustee) or its directors, officers employees and controlling persons against any loss, liability, costs, claim, action, demand or expense which the Issuer may incur or which may be made against it as a result of the wilful default, negligence or bad faith of such Agent or of its officers or employees.

For its services rendered under the Agency Agreement, the Issuer will pay such fees and commissions as have been agreed with (1) the Principal Paying Agent in respect of the services of the Paying Agents, (2) the Registrar in respect of the services of the Registrar and the other Transfer Agents and (3) each other Agent in respect of the services to be provided by such Agent.

Duties and responsibilities of the Security Trustee, the Note Trustee and the Agents

As described above, BNY Corporate Trustee Services Limited is acting as Note Trustee and Security Trustee, KBC Bank NV is acting as Expenses Agent, The Bank of New York, acting through its principal office in the United Kingdom, is acting as Principal Paying Agent, Agent Bank and Registrar, BNY Fund Services (Ireland) Limited is acting as Transfer Agent and Paying Agent in Ireland and The Bank of New York is acting as Paying Agent and Transfer Agent in the United States and as the Exchange Rate Agent. Each of BNY Corporate Trustee Services Limited, KBC Bank NV, The Bank of New York, acting through its principal office in the United Kingdom, BNY Fund Services (Ireland) Limited, The Bank of New York and its affiliates, in providing services in connection with the transactions contemplated by the Transaction Documents, will have only the duties and responsibilities expressly agreed to by such entity in the relevant capacity and will not, by virtue of its or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities, or be deemed to be held to a standard of care, other than as expressly provided with respect to each such capacity. BNY Corporate Trustee Services Limited, KBC Bank NV, The Bank of New York, acting through its principal office in the United Kingdom, BNY Fund Services (Ireland) Limited and The Bank of New York, and their respective affiliates, in their various capacities, in

connection with the transactions contemplated by the Transaction Documents, may enter into business dealings, including the acquisition of investment securities, as contemplated by the Transaction Documents, from which they may derive revenues and profits in addition to the fees stated in the various Transaction Documents, without any duty to account therefor.

KBC INVESTMENTS CAYMAN ISLANDS V, LTD

General

KBC Investments Cayman Islands V, Ltd. ("**KBC Cayman**"), a Cayman Islands exempted company incorporated with limited liability, was incorporated on 30 March, 2004 under the Companies Law of the Cayman Islands. The registered office of KBC Cayman is at Walkers SPV Limited, Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands.

KBC Cayman is a wholly owned subsidiary of KBC Investments Hong Kong Limited and all its Directors are employees of KBC Bank or one of its affiliates.

Business

KBC Cayman has two principal lines of business. The first line of business is to buy credit protection and on-sell such protection to its affiliates. Recently, KBC Cayman has entered into a number of such transactions, in each case as the buyer of credit protection. In April, 2004 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 1,600,000,000, in November, 2004 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 2,000,000,000, in March, 2005 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 1,500,000,000, in April, 2005 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 2,000,000,000, in October, 2005 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 2,000,000,000, in April, 2006 KBC Cayman entered into two tranching portfolio credit default swaps in respect of reference portfolios with a notional portfolio size of EUR 2,750,000,000 and USD 250,000,000, respectively, and in June, 2006 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 3,000,000,000 and in October, 2006 KBC Cayman entered into a tranching portfolio credit default swap in respect of a reference portfolio with a notional portfolio size of EUR 2,000,000,000. Each of these tranching portfolio credit default swaps was entered into with special purpose vehicles incorporated in Jersey, Channel Islands, each of which in turn issued credit-linked notes referencing the relevant reference portfolio in the capital markets. The second line of business of KBC Cayman is to buy and sell over-the-counter options in connection with other trading activities of the KBC Financial Products Group (as defined below).

KBC Cayman is a member of the KBC Financial Products group, which, with its affiliates including those in New York (KBC Financial Products USA Inc.), London (KBC Financial Products UK Limited), Hong Kong (KBC Financial Products Hong Kong Ltd.) and Tokyo (KBC Securities Japan) (collectively, the "**KBC Financial Products Group**"), has over 650 employees and is active in the convertible bond, equity and credit derivatives markets. The KBC Financial Products Group is one of the largest dealers of convertible securities and a major provider of structured equity derivative products to corporate and institutional clients.

In 2000, KBC Financial Products Group launched its structured credit products group. As part of this effort, the KBC Financial Products Group has, since 2001, managed a portfolio of synthetic credit risks focused on, but not limited to, global investment grade corporate and asset backed securities. Since inception, this portfolio has grown to greater than EUR 10 billion in face value.

In accordance with the terms of the Portfolio Credit Swap, KBC Cayman will select the initial portfolio of Reference Entities and make adjustments to the Reference Portfolio from time to time.

In selecting Reference Obligations and in performing its obligations and exercising its rights under the Portfolio Credit Swap, KBC Cayman will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Portfolio Credit Swap and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. KBC Cayman will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

KBC Cayman, KBC Bank and their respective affiliates may engage in other business and furnish investment management, advisory and other types of services to other clients whose investment policies differ from those followed by KBC Cayman under the Portfolio Credit Swap and from which they may derive revenues and profits in addition to the fees stated in the various Transaction Documents without any duty to account therefor. KBC Cayman, KBC Bank and their respective affiliates may make recommendations to or effect transactions with other clients which may differ from those effected with respect to the Portfolio Credit Swap. KBC Cayman is not subject to regulation by the Cayman Islands Monetary Authority. See "*Risk Factors – Other Business of the Portfolio Swap Counterparty*".

KBC BANK NV

Creation

KBC Bank NV ("**KBC Bank**"), a wholly-owned subsidiary of KBC Group NV ("**KBC Group**"), was incorporated in Belgium in June 1998 for an indefinite duration in the form of a limited liability company and operates under the laws of Belgium. KBC Bank was initially formed through the merger of the banking operations of the Almanij (Algemene Maatschappij voor Nijverheidskrediet)-Kredietbank Group and CERA Bank CV which combined the operations of four Belgian banks: Kredietbank NV, CERA Bank CV, Bank van Roeselare NV and CERA Investment Bank CV.

KBC Bank and its consolidated subsidiaries operate all of the retail and merchant banking operations of the KBC group. Private banking activities are effected both by KBC Bank and its sister company, Kredietbank SA Luxembourgeoise ("**KBL**"). Insurance operations are effected by KBC Bank's sister company, KBC Insurance. KBC Bank is registered as a credit institution with the Belgian Banking, Finance and Insurance Commission (Commissie voor Bank-, Financie- en Assurantiewezen) and has its registered office at Havenlaan 2, 1080 Brussels, Belgium.

KBC Group NV

On 2 March, 2005, the extraordinary general shareholder meetings of KBC Bank and Insurance Holding Company NV ("**KBC Holding**") (which, at such date, held 100 per cent. of the shares of KBC Bank) and Almanij N.V. ("**Almanij**") (which held a majority in KBC Holding) approved the restructuring of the Almanij-KBC group through the merger by acquisition of Almanij by KBC Holding. The merger has resulted in a simplified, more streamlined group structure with a single entity, KBC Group NV, controlling the underlying companies, being (initially) KBC Bank, KBC Insurance, KBC Asset Management, KBL and Gevaert. The group meanwhile has been further streamlined, as Gevaert merged into KBC Group NV and as KBC Bank became majority shareholder of KBC Asset Management. As a result, KBC Group NV now controls just three underlying companies, being KBC Bank (KBC Asset Management now being a subsidiary of KBC Bank), KBC Insurance and KBL.

The share capital of KBC Group NV consists of ordinary shares of no nominal value and mandatorily convertible bonds (MCBs).

At 31 December, 2006, there were 363,217,068 ordinary shares in circulation. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. There are no shares issued that have not been fully paid. There are no other restrictions attaching to the shares. The authorisation to increase capital may be exercised until 17 June, 2009 for an amount of EUR 198,876,943 (which, based on the par value of the shares at the end of December 2006, may lead to the issue of maximum 58,493,218 new shares).

At 31 December, 2006, KBC group companies held 15,823,991 KBC shares (15,680,600 excluding the shares held in the trading book of KBC Securities, Ligeva and KBC Financial Products). This number includes, inter alia, the shares that are held to meet requirements under the various employee stock option plans (as at 31 December, 2006: 2,323,332 shares) and the shares that were bought in relation to the 1-billion-euro share buyback programme announced at the end of 2005 (this programme was finished end 2006; by then, 11.7 million shares were bought, of which already 3.5 million were cancelled at the Extraordinary General Meeting of 27 April, 2006 and the remainder will be deleted in 2007). End 2006, KBC announced a new share buyback programme for the next three years. The total amount of this programme is roughly 3 billion euros. The purchases will be effected on the open market. No dividend will be paid on these shares. Only when the total number of treasury shares at KBC Group exceeds 10% of the total number of shares, the (number in excess of this 10% of) shares will be cancelled. The size or maturity of the new programme may be adjusted in the case of significant changes in market conditions or following new important acquisition opportunities.

At 31 December, 2006, there were 2,606,452 1998-2008 MCBs in circulation, with a maturity date of 30 November, 2008 and a base rate of 3.5%, which had not yet been converted into ordinary shares. Holders of these MCBs are entitled, until 30 November, 2008, to request that their MCBs be converted according to a ratio of one KBC ordinary share for one MCB. MCBs which have not been converted by their holders will be converted automatically into ordinary shares at maturity. MCBs only carry voting rights when converted into ordinary shares.

At 31 December, 2006, there were no freely convertible bonds outstanding.

Network

Belgian network

In Belgium, KBC Bank engages primarily in retail and private bancassurance, including asset management, through the network of bank branches and agents (consisting of KBC Bank, CBC Banque SA and Centea NV) and KBC Lease NV and in merchant banking via its corporate branches, multinationals division, structured finance divisions and various specialised subsidiaries (such as Antwerpse Diamantbank NV, International Factors NV, Fin-Force NV and KBC Securities).

KBC Bank's Belgian branch network consists of the branches of KBC Bank (in the Dutch-speaking part of Belgium) and CBC Banque SA ("**CBC Banque**") (in the French-speaking part of Belgium), as well as the network of Centea NV agents.

As at 31 December 2006, KBC Bank and CBC Banque had a total of 927 branches, while Centea NV had 708 agencies. The domestic branch network is divided into retail outlets, corporate outlets and private banking outlets.

International network

Internationally, KBC Bank has established businesses in Central and Eastern Europe, in which it is developing retail (including asset management) as well as merchant banking activities.

The Central and Eastern European subsidiaries are Československa Obchodní Banka a.s. ("**CSOB**") in the Czech and Slovak Republics, Kereskedelmi és Hitelbank Rt. ("**K&H Bank**") in Hungary and Kredyt Bank SA in Poland. KBC also has a minority stake (34%) in Nova Ljubljanska banka ("**NLB** ") in Slovenia. Via KBC Insurance, the KBC Group also has an insurance subsidiary in every CEE country the bank is present in. As at 31 December, 2006, the KBC Bank had, via these subsidiaries (i.e. excluding NLB) some 870 branches in the Central and Eastern European region. End 2006- early 2007, KBC Group also signed agreements to purchase majority stakes in Romstal Leasing (leasing company in Romania), Swiss Capital (equity broker in Romania), A Banka (bank in Serbia), Equitas (online broker in Hungary) and DZI Insurance (insurance company in Bulgaria).

Besides Central Europe, KBC Bank has a number of representative offices and branches in various countries, which are predominantly active in corporate banking.

KBC Bank's majority-owned subsidiaries are active in a wide range of activities, from retail and corporate banking to asset management and market activities. As at end 2006, the main majority-owned subsidiaries with a presence outside of Belgium and Central and Eastern Europe were: KBC Bank Deutschland AG in Germany; KBC Bank Nederland N.V., KBC Clearing N.V. and KBC IFIMA in the Netherlands; IIB Bank Ltd, KBC Finance Ireland and KBC Asset Management Ltd in Ireland; KBC Securities NV (with an outlet in France); KBC Peel Hunt Plc in the United Kingdom; Antwerpse Diamantbank (with outlets in Switzerland, Hong Kong, the United States, Dubai and India); KBC Lease (in various European countries) and KBC Financial Products (in various countries). Some of these acquisitions still need approval of the relevant authorities.

As at end, 2006, KBC Bank was present via its foreign establishments in over 30 countries outside Belgium.

Staff

As at mid 2006, KBC Bank had roughly 36,000 employees (full-time equivalents, including employees of its subsidiaries). The KBC Group had roughly 50,000 employees. A number of these employees are members of various unions.

Financial Information

The latest audited consolidated annual financial statements of KBC Bank, together with the audit reports prepared in connection therewith, are available free of charge at the Specified Office of the Paying Agent in Ireland. The latest audited consolidated annual financial statements of KBC Bank, together with the audit reports prepared in connection therewith, are available at KBC Group, Investor Relations Office, 2, Havenlaan, 1080 Brussels.

Further Information

Information on the KBC group can be found on the KCB group website at www.kbc.com. This website does not form part of the Prospectus for the purpose of approval of the Prospectus and listing of the Notes.

Listing and Quotation of Shares

The shares of KBC Group are listed for trading and official quotation on Euronext Brussels and the Luxembourg Stock Exchange.

Current Rating

As of the date hereof the short term unsecured and unguaranteed debt obligations of KBC Bank are currently rated F1+ by Fitch, P1 by Moody's and A1+ by S&P. The long term unsecured and unguaranteed debt obligations of KBC Bank are currently rated AA- (stable outlook) by Fitch, Aa3 (stable outlook) by Moody's and AA- (stable outlook) by S&P.

KBC INVESTMENTS HONG KONG LIMITED

General

KBC Investments Hong Kong Limited ("**KBC Hong Kong**"), a company incorporated with limited liability, was incorporated on 9 January, 2004 under the Companies Ordinance in Hong Kong. The registered office of KBC Hong Kong is Suite 806-814, 8th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong (telephone number: +852 2238 6100). The registered number of KBC Hong Kong is 878626.

KBC Hong Kong is a wholly owned subsidiary of KBC Bank NV and all its Directors are employees of KBC Bank or one of its affiliates.

Business

KBC Hong Kong has two principal lines of business. The first line of business is to purchase equity-linked options and on-sell them to various affiliates. As part of these activities KBC Hong Kong transacts in over-the-counter warrants, convertible bonds, listed options, and credit-derivatives. KBC Hong Kong's second business line involves making principal investments in the Asian capital markets on behalf of KBC Bank.

KBC Cayman, the Portfolio Swap Counterparty, is a wholly owned subsidiary of KBC Investments Hong Kong Limited.

KBC Hong Kong is a member of the KBC Financial Products Group, which, with its affiliates including those in New York (KBC Financial Products USA Inc.), London (KBC Financial Products UK Limited), Hong Kong (KBC Financial Products Hong Kong Ltd.) and Tokyo (KBC Securities Japan) (collectively, the "**KBC Financial Products Group**"), has over 650 employees and is active in the convertible bond, equity, credit derivatives and fund derivatives markets. The KBC Financial Products Group is one of the largest dealers of convertible securities and a major provider of structured equity derivative products to corporate and institutional clients.

In 2000, KBC Financial Products Group launched its structured credit products group. As part of this effort, the KBC Financial Products Group has, since 2001, managed a portfolio of synthetic credit risks focused on, but not limited to, global investment grade corporate and asset backed securities. Since inception, this portfolio has grown to greater than EUR 10 billion in face value.

In performing its obligations and exercising its rights under the Investment Agreement, KBC Hong Kong will not act as an adviser, fiduciary or agent or in any other capacity on behalf of the Issuer or the Noteholders, but will take such actions as are permitted under the Investment Agreement and which it deems to be in its interests, which may be adverse to the interests of the Issuer and/or the Noteholders. KBC Hong Kong will have no duty whatsoever to consider the effect of its actions or failure to take action on the Issuer or the Noteholders.

Directors

The Directors of KBC Hong Kong and their respective addresses are:

<i>Name</i>	<i>Business Address</i>
Guido Segers	KBC Bank NV Havenlaan 2 Brussels 1080 BELGIUM
Thomas Korossy	KBC Financial Products 140 East 45th St, 42nd Floor NY, NY 10017 USA
Darren Carter	111 Old Broad Street London EC2N 1FP UK
Mahmoud Faghihi	111 Old Broad Street London EC2N 1FP UK
Terrence Cheung Ching Leung	KBC Financial Products Hong Kong Limited Suite 806-814, 8/F, Two International Finance Centre, 8 Finance Street, Central

Hong Kong

Capital Structure

The authorised share capital of KBC Hong Kong is USD 100,000,000 comprising 100,000,000 shares of USD 1 each. The issued and paid up share capital of KBC Hong Kong is USD 30,000,000 comprising 30,000,000 shares of USD 1 each as at the date of this Prospectus.

Material Adverse Change

There has been no material adverse change in the financial position or prospects of KBC Hong Kong since the date of its last audited financial statements.

Legal and arbitration proceedings

During the period covering the previous 12 months, there has been no governmental, legal or arbitration proceedings which are pending or threatened of which KBC Hong Kong is aware, which may have, significant effects on KBC Hong Kong.

Auditors

The auditors of KBC Hong Kong are Ernst & Young, Hong Kong (Certified Public Accountants), whose address is 18/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Ernst & Young, is a partnership in Hong Kong and a member of Ernst & Young International. Ernst & Young, is a member of the Hong Kong Institute of Certified Public Accountants.

TAXATION OF NOTEHOLDERS

The following is a general discussion of the anticipated United States, Belgian and Jersey tax treatment of the Issuer and the purchase, ownership and disposition of the Notes. The discussion is based on laws, regulations, rulings and decisions (and interpretations thereof) currently in effect, all of which are subject to change. Any such change may have retroactive effects. The discussion is based on the advice of Sidley Austin LLP with respect to United States federal income taxes, Freshfields Bruckhaus Deringer with respect to Belgian taxes and Bedell Cristin Jersey Partnership with respect to Jersey taxes.

The discussion is intended for general information only, and does not purport to be a complete description of all the tax considerations that may be relevant to a decision to purchase the Notes. Prospective investors should consult their own professional advisers concerning the possible tax consequences of buying, holding or selling any Notes (and of any reductions of, or increases in, the Adjusted Principal Balance, in accordance with Condition 5 (Redemption)) under the applicable laws of their country of citizenship, residence or domicile.

United States Federal Income Tax Considerations

The information contained in this section entitled "*United States Federal Income Tax Considerations*" is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It should be read in conjunction with the section entitled "*Risk Factors*". Potential purchasers of the Notes are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Notes.

Any discussions of U.S. federal tax matters set forth in this Prospectus were written in connection with the promotion and marketing of the transactions described in this Prospectus. Such discussions were not intended or written to be legal or tax advice to any person and were not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

The following discussion of certain U.S. federal income tax consequences of an investment in the Notes is based on the advice of Sidley Austin LLP, U.S. federal income tax counsel, as to U.S. federal income tax law. The discussion is a general summary of present law, which is subject to prospective and retroactive change. The following discussion assumes that the Issuer will conduct its affairs in accordance with assumptions made by, and representations made to, counsel. The discussion is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under U.S. federal income tax law. Prospective investors should consult their own tax advisors to determine the particular tax consequences to them of the acquisition, ownership, and disposition of the Notes, including consequences arising under the tax laws of the jurisdiction of their residence.

This summary is for general information only and there can be no assurance that the tax consequences of an investment in the Notes will be favourable or that such consequences will be as described herein. Prospective investors should note that no rulings have been or are expected to be sought from the United States Internal Revenue Service (the "**Service**") with respect to any of the U.S. federal tax law consequences discussed below, and no assurance can be given that the Service or the courts will not take contrary positions.

As used in this section, the term U.S. Holder means a beneficial owner of a Note that is (a) a citizen or resident of the United States, (b) an entity taxable as a corporation or treated as a partnership for U.S. federal income tax purposes, created or organised under the laws of the United States, any state therein or the District of Columbia, (c) an estate (other than a foreign estate defined in Section 7701(a)(31)(A) of the Internal Revenue Code of 1986, as amended (the "**Code**") or (d) a trust if a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons (as defined in Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of such trust. The term non-U.S. Holder means a beneficial owner of a Note that is not a U.S. Holder.

U.S. persons and non-U.S. persons who own an interest in a holder that is treated as a pass-through entity under the Code will generally receive the same tax treatment with respect to the material tax consequences of their indirect ownership of the Notes as is described herein for direct U.S. Holders and non-U.S. Holders, respectively. Nonetheless, such persons should consult their tax advisors with respect to their particular circumstances, including issues related to tax elections and information reporting requirements.

ACCORDINGLY, PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

In General

In connection with the issuance of the Notes, U.S. federal income tax counsel will issue its opinion that, although there is no authority on the treatment of instruments substantially similar to the Notes, and while not free from doubt, the Notes other than Class H Notes ("**Senior Notes**") will be characterised as debt for U.S. federal income tax purposes. While not free from doubt, because there is a strong likelihood that under U.S. federal income tax principles the Class H Notes, although denominated as debt, will be treated as equity, the Issuer will treat the Class H Notes as equity for U.S. federal income tax purposes, including for any U.S. tax reporting requirements. The holders of Notes agree to treat any interest in the Senior

Notes as debt and the Class H Notes as equity for U.S. federal income tax purposes, including for any U.S. tax reporting requirements. The timing and character of income under each of the Senior Notes and the Class H Notes may differ substantially depending upon whether such notes are treated as debt or equity. Investors should consider the tax consequences of such characterisation. In general, the characterisation of an instrument for U.S. federal income tax purposes as debt or equity by its issuer as of the time of issuance is binding on a holder (but not the Service), unless the holder takes an inconsistent position and discloses such position in its U.S. tax return. Except as described in the first sentence of this paragraph, U.S. federal income tax counsel will render no opinions relating to the Notes or the parties to this transaction.

The following describes the principal U.S. federal income tax consequences of the purchase at initial issuance of the Notes (for purposes of this section, the first price at which a substantial amount of each substantially similar class of Senior Notes is sold to investors is referred to herein as the Issue Price) and ownership and disposition of the Notes, but does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes. In particular, special tax considerations that may apply to certain types of taxpayers, including securities dealers, banks, financial institutions, insurance companies, tax exempt investors, flow-through entities, persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar, persons liable for the alternative minimum tax, subsequent purchasers of Notes, and holders that purchase the Senior Notes for prices other than the respective Issue Prices of the Senior Notes are not addressed. This summary does not describe any tax consequences arising under the law of any state, locality or taxing jurisdiction other than the U.S. federal government. In general, the summary assumes that a holder acquires Notes at original issuance and holds such Notes as capital assets and not as part of a hedge, straddle or conversion transaction, within the meaning of Section 1258 of the Code. This summary is based on U.S. federal income tax laws, regulations, rulings and decisions in effect or available on the date of this Prospectus. All of the foregoing are subject to change, which change may apply retroactively and could affect the continued validity of this summary.

Tax Treatment of Issuer

Assuming compliance with the Note Trust Deed (and certain other documents), the Issuer intends to operate in such manner that it believes would not cause it to be treated as engaged in a trade or business within the United States. In addition, by acceptance of its Note, each holder thereof is deemed to represent that it will not take any position inconsistent with the Issuer's position that, for U.S. federal income tax purposes, the Issuer is not engaged in any trade or business in the United States, other than possibly investing and trading in securities. Accordingly, while not free from doubt under current law, the Issuer does not expect to be subject to U.S. federal income taxation in the United States. The Issuer will not obtain any rulings or opinions of counsel on whether it is engaged in a trade or business within the United States and there can be no assurance that the Service or the courts will agree with the position of the Issuer. If the Service were to successfully characterise the Issuer as engaged in such a trade or business, among other consequences, the Issuer would be subject to U.S. federal income taxation in the United States (as well as the branch profits tax) on its income, which taxes could adversely affect the Issuer's financial ability to make payments with regard to the Notes.

Withholding Taxes – the Portfolio Credit Swap

The Issuer does not anticipate that any payments received with respect to the Portfolio Credit Swap and any gain from the sale or disposition thereof will be subject to U.S. withholding and excise taxes. Certain aspects of the taxation of the Portfolio Credit Swap, however, are uncertain, and thus there can be no assurance that in every case payments thereon will be received free of withholding or excise tax.

In General – Senior Notes

The following describes the principal U.S. federal income tax consequences of the purchase at initial issuance of the Senior Notes and ownership and disposition of the Senior Notes, but does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Senior Notes. An opinion of U.S. federal income tax counsel is not binding on the Service or the courts, and no rulings will be sought from the Service on any of the issues discussed herein. As a result, the Service or the courts may disagree with all or part of the discussion herein. The Issuer suggests that persons considering the purchase of Notes consult their own tax advisors as to the consequences of the purchase, ownership and disposition of the Notes.

Taxation of the Senior Notes to U.S. Holders

Unless otherwise indicated, the discussion in the following paragraphs assumes the correctness of the characterisations of the Senior Notes as debt and the Class H Notes as equity for U.S. federal income tax purposes. The following paragraphs are also based on the assumption that the Senior Notes are not treated as contingent payment debt instruments for U.S. federal income tax purposes and that the Issuer will not be engaged in a trade or business within the United States to which income from the Portfolio Credit Swap is effectively connected.

Notes Denominated, or in Respect to Which Interest is Payable, in a Foreign Currency – Senior Notes

As used in this section, "**Foreign Currency**" means a currency or currency unit other than U.S. dollars.

Payments of Interest in a Foreign Currency-Cash Method

A U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of interest on a Senior Note (other than original issue discount ("**OID**") or market discount) will be required to include in

income the U.S. dollar value of the Foreign Currency payment (determined on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such Foreign Currency.

Payments of Interest in a Foreign Currency-Accrual Method

A U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount and reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Senior Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the rate of exchange on the date of receipt. The above election will apply to other debt obligations held by the U.S. Holder and may not be changed without the consent of the Service. A U.S. Holder should consult a tax advisor before making the above election. A U.S. Holder will recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above).

Purchase, Sale and Retirement of Senior Notes

A U.S. Holder who purchases a Senior Note with previously owned Foreign Currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the Foreign Currency and the U.S. dollar fair market value of the Foreign Currency used to purchase the note, determined on the date of purchase. Upon the sale, exchange or retirement of a Senior Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and such U.S. Holder's adjusted tax basis in the note. Such gain or loss generally will be capital gain or loss (except to the extent of any accrued market discount not previously included in the U.S. Holder's income, which will be treated as ordinary income) and would be long-term capital gain or loss if the holding period for the notes is more than one year. To the extent the amount realised represents accrued but unpaid interest, however, such amounts must be taken into account as interest income, with exchange gain or loss computed as described in "*Payments of Interest in a Foreign Currency-Accrual Method*". If a U.S. Holder receives Foreign Currency on such a sale, exchange or retirement, the amount realised will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the Senior Note is disposed of (or deemed disposed of in the case of a taxable exchange of the Senior Note for a new Senior Note). In the case of a Senior Note that is denominated in Foreign Currency and is traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realised by translating the Foreign Currency payment at the spot rate of exchange on the settlement date of the sale. A U.S. Holder's adjusted tax basis in a Senior Note will equal the cost of the Senior Note to such holder, increased by the amounts of any market discount or original issue discount previously included in income by the holder with respect to such Senior Note and reduced by any amortised acquisition or other premium and any principal payments received by the holder. A U.S. Holder's tax basis in a Senior Note, and the amount of any subsequent adjustments to such holder's tax basis, will be the U.S. dollar value of the Foreign Currency amount paid for such Senior Note, or of the Foreign Currency amount of the adjustment, determined on the date of such purchase or adjustment.

Gain or loss realised upon the sale, exchange or retirement of a Senior Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of the Senior Note, determined on the date such payment is received or the Senior Note is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of the Senior Note, determined on the date the U.S. Holder acquired the Senior Note. Such Foreign Currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the Senior Note.

Original Issue Discount on Senior Notes

In the case of a Senior Note issued with OID or certain short-term notes with a term that is not more than 1 year from the date of issue, (a) OID is determined in units of the Foreign Currency, (b) accrued OID is translated into U.S. dollars as described in "*Payments of Interest in a Foreign Currency—Accrual Method*" above and (c) the amount of Foreign Currency gain or loss on the accrued OID is determined by comparing the amount of income received attributable to the discount (either upon payment, maturity or an earlier disposition), as translated into U.S. dollars at the rate of exchange on the date of such receipt, with the amount of OID accrued, as translated above. A Senior Note will be considered issued with OID if its "stated redemption price of maturity" exceeds its "issue price" by an amount equal to or greater than 0.25% of such Senior Note's stated redemption price at maturity multiplied by the number of complete years to maturity from the issue date of such Senior Note. It is not anticipated that the Senior Notes will be issued with OID.

Premium and Market Discount on Senior Notes

In the case of a Senior Note with market discount, (a) market discount is determined in units of the Foreign Currency, (b) accrued market discount taken into account upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Senior Note (other than accrued market discount required to be taken into account currently) is translated into U.S. dollars at the exchange rate on such disposition date (and no part of such accrued market discount is treated as exchange gain or loss) and (c) accrued market discount currently includible in income by a U.S. Holder for any accrual period is translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period, and the exchange gain or loss is determined upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Senior Note in the manner described in "*Payments of Interest in a Foreign Currency—Accrual Method*" above with respect to computation of exchange gain or loss on accrued interest.

With respect to a Senior Note issued with amortisable bond premium, such premium is determined in the relevant Foreign Currency and reduces interest income in units of the Foreign Currency. Although not entirely clear, a U.S. Holder should recognise exchange gain or loss equal to the difference between the U.S. dollar value of the bond premium amortised with respect to a period, determined on the date the interest attributable to such period is received, and the U.S. dollar value of the bond premium determined on the date of the acquisition of the note. It is not anticipated that the Senior Notes will be issued at a premium.

Exchange of Foreign Currencies

A U.S. Holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Senior Note equal to the U.S. dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement. Any gain or loss realised by a U.S. Holder on a sale or other disposition of Foreign Currency (including its exchange for U.S. dollars or its use to purchase Senior Notes) will be ordinary income or loss.

U.S. HOLDERS OF NOTES WHICH WILL RECEIVE AMOUNTS DENOMINATED IN A FOREIGN CURRENCY ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX TREATMENT OF SUCH FOREIGN CURRENCY PAYMENTS.

Taxation of Senior Notes to Non-U.S. Holders

A non-U.S. Holder of the Senior Notes will be exempt from any U.S. federal income or withholding taxes with respect to gain derived from the sale, exchange, or retirement or any payments received in respect of the Senior Notes, unless such gain or payments are effectively connected with a U.S. trade or business of such holder, or such holder is a non-resident alien individual who holds the Senior Notes as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

Alternative Characterisation of the Senior Notes

The proper characterisation of the arrangement involving the Issuer and the holders of the Senior Notes is not clear because there is no authority on transactions comparable to that contemplated herein. Prospective investors should consult their own tax advisors with respect to the potential impact of an alternative characterisation of the Senior Notes or any class of Senior Notes for U.S. federal income tax purposes. One possible alternative characterisation is that the Service could contend that, because of the subordination and other features of the Class G Notes (and, to a lesser extent, the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes), such Senior Notes should be treated as equity for U.S. federal income tax purposes. The timing and character of income under the Senior Notes may differ substantially depending on whether the Senior Notes are treated as debt or equity for U.S. federal income tax purposes. If any class of the Senior Notes were treated as equity for U.S. federal income tax purposes, such class of Senior Notes would be treated for U.S. federal income tax purposes similar to the treatment of the Class H Notes, discussed below.

Another possible alternative characterisation of the Senior Notes is that the Service could contend that, because amounts payable with respect to the Senior Notes depend on amounts made available to the Issuer under the terms and conditions of the Portfolio Credit Swap taking into account certain contingencies set forth in the Portfolio Credit Swap, the Senior Notes should be treated as contingent payment debt instruments, or, in any event, similar to contingent payment debt instruments for U.S. federal income tax purposes. The rules applicable to contingent payment debt instruments generally require a U.S. Holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule. Moreover, in general, under the rules applicable to contingent payment debt instruments, any gain recognised by a U.S. Holder on the sale, exchange, or retirement of a contingent payment debt instrument will be treated as ordinary income and all or a portion of any loss realised could be treated as ordinary loss as opposed to capital loss (depending on the circumstances). The Issuer will not treat the Senior Notes as contingent payment debt instruments for U.S. federal tax purposes.

Information Reporting and Backup Withholding – Senior Notes

Information reporting to the Service will generally be required with respect to principal and interest payments on the Senior Notes and proceeds of the sale of the Senior Notes to holders other than corporations and other exempt recipients. A backup withholding tax will apply to payments made to holders who fail to provide certain identifying information (such as a holder's taxpayer identification number) to the Note Trustee and Paying Agents for the Senior Notes. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

In General – Class H Notes

The following describes the principal U.S. federal income tax consequences of the purchase at initial issuance of the Class H Notes and ownership and disposition of the Class H Notes, but does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Class H Notes. The Issuer will not obtain any rulings or opinions of counsel on the characterisation of the Class H Notes and there can be no assurance that the Service or the courts will agree with the positions taken by the Issuer. As a result, the Service or the courts may disagree with all or part of the discussion herein. The Issuer suggests that persons considering the purchase of Class H Notes consult their own tax advisors as to the consequences of the purchase, ownership and disposition of the Class H Notes.

The discussion in the following paragraphs assumes the correctness of the characterisation of the Class H Notes as equity for U.S. federal income tax purposes and that the Issuer will not be engaged in a trade or business within the United States to which income from the Portfolio Credit Swap is effectively connected.

PROSPECTIVE PURCHASERS OF THE CLASS H NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CLASS H NOTES AND THE POSSIBLE APPLICATION OF STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

Taxation of Class H Notes to U.S. Holders

Except as provided below, a U.S. Holder of a Class H Note is required to include in income payments of "interest" as distributions on equity of the Issuer. In addition, unless the Issuer is treated as being engaged in a U.S. trade or business, generally "interest" income derived by a U.S. Holder of a Class H Note with respect to a Class H Note which is treated as equity should constitute foreign source income for United States foreign tax credit purposes. Each U.S. Holder of a Class H Note should consult its own tax advisors as to how it should treat this income for purposes of its particular foreign tax credit calculation.

Investment in a Passive Foreign Investment Company

The Issuer expects to be treated as a "passive foreign investment company" (a "**PFIC**"). U.S. Holders of Class H Notes will be considered U.S. shareholders in a PFIC ("**U.S. shareholders**"). In general, a U.S. shareholder in a PFIC may desire to make an election to treat the Issuer as a qualified electing fund ("**QEF**") with respect to such U.S. shareholder. Generally, a QEF election should be made on or before the due date for filing a U.S. shareholder's federal income tax return for the first taxable year for which it held Notes. An electing U.S. shareholder will be required to include in gross income such U.S. shareholder's pro rata share of the Issuer's ordinary earnings and to include as long-term capital gain such U.S. shareholder's pro rata share of the Issuer's net capital gain, whether or not distributed, assuming that the Issuer does not constitute a controlled foreign corporation in which the U.S. shareholder is a U.S. Shareholder, as discussed further below. A U.S. Holder of Class H Notes will not be eligible for the dividends received deduction in respect of such income or gain. In addition, any losses of the Issuer in a taxable year will not be available to such U.S. Holder. In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. shareholders may also be permitted to elect generally to defer payment of the taxes on the QEF's undistributed earnings until such amounts are distributed or the Class H Notes are disposed of, subject to an interest charge on the deferred amount. In this respect, prospective purchasers of Class H Notes should be aware that the Issuer may have significant earnings, but distributions attributable to such earnings may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, U.S. shareholders of the Issuer that make a QEF election may owe tax on significant "phantom" income.

In addition, it should be noted that if the Issuer disposes of investments that are not in registered form, a U.S. shareholder making a QEF election (a) may not be permitted to take a deduction for any loss attributable to such obligations and (b) may be required to treat earnings as ordinary income even though such earnings would otherwise constitute capital gains.

Upon request, the Issuer will provide all information that a U.S. shareholder making a QEF election is required to obtain for U.S. federal income tax purposes (e.g. the U.S. shareholder's pro rata share of ordinary income and net capital gain), and will provide a PFIC Annual Information Statement as described in the Treasury regulations, including all representations and statements required by such statement and will take other reasonable steps to facilitate such election.

If a U.S. shareholder does not make a QEF election and the PFIC rules are otherwise applicable, a U.S. shareholder that has held Class H Notes during more than one taxable year would be required to report any gain on disposition of any Class G Notes as ordinary income and to compute the tax liability on such gain and certain excess distributions as if the items had been earned ratably over each day in the U.S. shareholder's holding period for the Class H Notes and would be subject to the highest ordinary income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. shareholder. Such U.S. shareholder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. An excess distribution is the amount by which distributions during a taxable year in respect of a Class H Note exceed 125 percent of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. shareholder's holding period for the Class G Note).

The Issuer does not believe that the Portfolio Credit Swap should be treated as an insurance contract under the Code. However, if it should be determined that the Portfolio Credit Swap is an insurance contract under the Code, then the Issuer would possibly not be classified as a PFIC and the discussion above would not be applicable.

U.S. HOLDERS OF CLASS H NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE NOTES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Investment in a Controlled Foreign Corporation

Depending on a U.S. Holder's degree of ownership of the equity interests in the Issuer, the Issuer may constitute a controlled foreign corporation ("CFC"). In general, a foreign corporation will constitute a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, are held, directly or indirectly, by U.S. Shareholders in a CFC (a "U.S. Shareholder"). A U.S. Shareholder, for this purpose, is any person that is a U.S. person for U.S. federal income tax purposes that possesses (actually or constructively) 10% or more of the combined voting power of all classes of shares of a corporation (persons who own interests in a U.S. pass-through entity that is a U.S. Shareholder will also be subject to the CFC rules). In general, U.S. Holders possessing 10% or more of the Class H Notes may be U.S. Shareholders. If more than 50% of the equity interests in the Issuer were held by U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer were treated as a CFC, a U.S. Shareholder would be treated, subject to certain exceptions, as receiving a dividend at the end of the taxable year of the Issuer in an amount equal to that person's pro rata share of the "subpart F income" and certain U.S. source income of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is likely that all of the Issuer's income would be subpart F income.

If the Issuer were treated as a CFC, a U.S. Shareholder would be taxable on the Issuer's subpart F income under the CFC rules and not under the PFIC rules. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election were made.

The Issuer does not believe that the Portfolio Credit Swap should be treated as an insurance contract under the Code. However, if it should be determined that the Portfolio Credit Swap is properly treated as an insurance contract under the Code, then the Issuer would generally be treated as a CFC with respect to its insurance income if U.S. Shareholders own more than 25% (not 50%) of its equity (by vote or value). In such a case, the Issuer's insurance income would also be included in the U.S. Shareholders' income as subpart F income under the CFC rules. In certain circumstances, to the extent that certain shareholders are treated as related to the Portfolio Swap Counterparty, special rules may apply. Prospective investors should consult their own tax advisors about these rules.

U.S. HOLDERS OF THE CLASS H NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO TIMING AND CHARACTER MISMATCHES THAT MAY RESULT FROM THE ISSUER BEING TREATED AS A PFIC OR CFC.

Distributions on Class H Notes

The treatment of actual distributions on the Class H Notes, in very general terms, will vary depending on (a) whether a U.S. Holder has made a timely QEF election as described above, and (b) the U.S. shareholder's pro rata share of the Issuer's ordinary earnings (as determined under the Code) and the U.S. shareholder's pro rata share of the Issuer's net capital gain for the U.S. Holder's taxable year in which or with which the taxable year of the Issuer ends. See the Section entitled "*Investment in a Passive Foreign Investment Company*" above. If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent would not be taxable to U.S. Holders. Distributions in excess of such previously taxed amounts will be treated first as a non-taxable return of capital and then as capital gain.

In the event that a U.S. Holder does not make a QEF election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Class H Notes may constitute excess distributions, taxable as previously described. See the Section entitled "*Investment in a Passive Foreign Investment Company*" above.

A U.S. Holder of Class H Notes will determine the U.S. dollar value of a distribution which is denominated in a Foreign Currency made on a Class H Note by translating the Foreign Currency payment at the spot rate of exchange on the date of such distribution.

Sale, Redemption or Other Disposition of Class H Notes

In general, a U.S. Holder of a Class H Note will recognize gain or loss upon the sale or other disposition of a Class H Note equal to the difference between the amount realized and such holder's adjusted tax basis determined in U.S. dollars in the Class H Note. If a U.S. Holder of a Class H Note has made a timely QEF election as described above, such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Class H Note for more than 12 months at the time of the disposition.

Initially, the tax basis of a U.S. Holder of a Class H Note should equal the amount paid for such Class H Note. Such tax basis will be increased by amounts taxable to such holder by virtue of a QEF election and the CFC rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as non-taxable returns of capital.

If a U.S. Holder of a Class H Note does not make a QEF election, any gain realized on the sale or exchange of a Class H Note will be subject to an interest charge and taxed as ordinary income. See the Section entitled "*Investment in a Passive Foreign Investment Company*" above.

If the Issuer were treated as a CFC and a U.S. Holder of a Class H Note were treated as a U.S. Shareholder therein, then any gain realized by such holder upon the disposition of Notes would be treated as ordinary income to the extent of the current and accumulated earnings and profits of the Issuer properly attributable to such Notes. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

A U.S. Holder of a Class H Note will determine the U.S. dollar value of amounts realized which are denominated in a Foreign Currency from the sale, redemption or other disposition of a Class H Note by translating the Foreign Currency payment at the spot rate of exchange on the date of such sale, redemption or other disposition.

U.S. HOLDERS OF CLASS H NOTES WHICH WILL RECEIVE AMOUNTS DENOMINATED IN A FOREIGN CURRENCY ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX TREATMENT OF SUCH FOREIGN CURRENCY PAYMENTS.

Taxation of Class H Notes to Non-U.S. Holders

A non-U.S. Holder of the Class H Notes will be exempt from any U.S. federal income or withholding taxes with respect to gain derived from the sale, exchange, or retirement or any payments received in respect of the Class H Notes, unless such gain or payments are effectively connected with a U.S. trade or business of such holder, or such holder is a non-resident alien individual who holds the Class H Notes as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

Information Reporting and Backup Withholding

A U.S. Holder of the Class H Notes will generally be required to report to the Service certain information relating to such U.S. Holder's purchase of the Class H Notes. In the event a U.S. Holder of a Class H Note fails to file any such required form, the U.S. Holder could be subject to a penalty equal to 10% of the gross amount paid for the Class H Notes subject to a maximum penalty equal to \$100,000 (except in cases of intentional disregard).

U.S. HOLDERS OF CLASS H NOTES ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THESE REPORTING REQUIREMENTS AND ANY OTHER REPORTING REQUIREMENTS WHICH MAY APPLY.

A backup withholding tax will apply to payments made to holders who fail to provide certain identifying information (such as a holder's taxpayer identification number) to the Note Trustee and Paying Agents for the Class H Notes. Non-U.S. Holders of Class H Notes may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Belgian Taxation

Taxation in the hands of KBC Bank as GIC Guarantor

The payments made by KBC Bank as GIC Guarantor are free from Belgian withholding tax.

Taxation in the hands of the Holders of the Notes — Withholding Tax on Interest Payments on the Notes

If payments of interest are made without the intervention of a Belgian paying agent, no interest withholding tax will be due in Belgium. However, if the holder is subject to the Belgian legal entities tax, he will be liable to pay a 15% withholding tax on the Interest Payments on the Notes and holders subject to Belgian individual income tax will have to declare the Interest Payments on the Notes in their annual tax return (such income being taxed at an equivalent separate tax rate of 15%, to be increased by local taxes).

As of the Closing Date there is no Belgian intermediary agent and no withholding tax will be payable in Belgium. If the interest on the Notes were paid through a Belgian intermediary agent, it will in principle be subject to a 15% withholding tax in Belgium. However, based on Belgian legislation, no withholding tax will be due provided the Notes are held (a) by non-resident holders being the full owner or usufructuary of the Notes, the Notes are not used by the holder for carrying on a business in Belgium, and the interest income is paid through a credit institution, a stock broker company or a settlement system established in Belgium, (b) by non-resident holders who use the Notes for carrying on a business in Belgium through a Belgian establishment or (c) by Belgian resident companies, provided in each case certain formalities are complied with. Furthermore, no Belgian withholding tax will be due if the Belgian intermediary agent pays the interest on the Notes to a qualifying foreign paying agent.

Taxation of the Interest and Capital Gains on the Notes

The holders of Notes who do not have their fiscal residence in Belgium and who do not have a Belgian establishment to which the Notes are attributable, will not be liable for any Belgian tax on income or capital gains or other like taxes (except for the interest withholding tax, if any).

For the holders of Notes who are private individuals holding the Notes as a private investment, and who have their fiscal residence in Belgium, or holders who are subject to the legal entities tax in Belgium, the withholding tax will be the final tax and they will not be liable in Belgium for any further tax on the interest or capital gains (except in case of a repurchase of the Notes by the Issuer). However, the *pro rata* interest included in a capital gain on the Notes is taxable as interest at a rate of 15%. In general, the calculation of the *pro rata* interest is done on a linear basis. However, due to the absence of clear guidelines in the tax laws, the calculation of the interest on a *pro rata* basis may in practice be difficult. Furthermore, if a private individual's capital gains arise from transactions going beyond the daily course of management of private property, the private individual will be subject to income tax at a rate of 33% (plus local taxes).

Other holders of Notes who have their fiscal residence in Belgium or who use the Notes for carrying on a business in Belgium through a Belgian establishment will be taxable in Belgium on Interest Payments on the Notes and any gain realised at the occasion of the transfer of the Notes. The Belgian withholding tax, if any, will be creditable against any income tax due to the extent that the holder has kept the full legal ownership of the Notes during the period to which the Interest Payment relates.

Transfer Tax

No stock exchange tax will be due upon the subscription of the Notes in Belgium.

The sale and purchase of the Notes on a secondary market through a Belgian financial intermediary will give rise to tax on stock exchange transactions at the rate of 0.07 per cent. Such tax will, however, be limited to a maximum amount of EUR 500 per taxable transaction and per party. The tax is separately due from each party to any such transaction, i.e., the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

No stock exchange tax is payable by:

- (c) professional intermediaries mentioned in Article 2, 9° and 10° of the Law of 2 August, 2002 acting for their own account;
- (d) insurance companies mentioned in Article 2, §1 of the Law of 9 July, 1975 acting for their own account;
- (e) precautionary institutions (*voorzorgsinstituten/institutions de prévoyance*) mentioned in Article 2, §3, 6° of the Law of 9 July, 1975 acting for their own account;
- (f) collective investment institutions mentioned in the Law of 4 December, 1990 acting for their own account; and
- (g) non-residents acting for their own account and provided they deliver an affidavit to a financial intermediary in Belgium confirming their non-resident status.

Jersey Taxation

The following summary of the anticipated tax treatment in Jersey of the Issuer is based on Jersey taxation law and practice in force at the date of this document and does not constitute legal or tax advice. Prospective investors should consult their professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes under the laws of the jurisdictions in which they may be liable to taxation. Prospective investors should be aware that tax rules and practice and their interpretation may change.

The Issuer has been granted exempt company status within the meaning of Article 123A of the Income Tax (Jersey) Law 1961, as amended for the current calendar year, and it intends to maintain such status for so long as it is available. The effect of such special status is that the Issuer is treated as a non-resident company for the purposes of Jersey tax laws and is therefore exempt from Jersey income tax on its profits arising outside Jersey (and, by concession, on bank deposit interest arising in Jersey) and from any obligation to withhold Jersey income tax from any interest or dividend payments made by it. Such status is applied for on an annual basis (together with payment of the required charge, currently GBP 600). The retention of exempt company status is conditional upon the Comptroller of Income Tax in Jersey being satisfied that no Jersey resident has a beneficial interest in the Issuer, except as permitted by concessions granted by the Comptroller of Income Tax.

As an exempt company, payments in respect of the Notes will not be subject to taxation in Jersey, no withholding will be required for or on account of Jersey income tax on such payments to any holder of a Note and gains derived from the sale of Notes will not be subject to Jersey income tax, in each case in the hands of persons not resident for income tax purposes in Jersey. As at the date of this Prospectus, Jersey has no capital gains tax and no inheritance tax or gift tax.

No stamp duty or similar taxes are payable in Jersey in connection with the issue, redemption or sale of the Notes.

European Union Directive on the Taxation of Savings Income

On 3 June, 2003 the European Union (the "EU") Council of Economic and Finance Ministers adopted a directive on the taxation of savings income in the form of interest payments (the "**EU Savings Tax Directive**"). From 1 July, 2005 each Member State of the European Union is required to provide to the tax authorities of another Member State of the European Union details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of

an individual resident in that other Member State of the European Union; however, Austria, Belgium and Luxembourg will instead apply a withholding tax system for a transitional period in relation to such payments. The withholding tax is initially 15%, increasing steadily to 20% and to 35%.

Jersey is not subject to the EU Savings Tax Directive. However, in keeping with Jersey's policy of constructive international engagement, the States of Jersey has introduced a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a Member State of the European Union by a paying agent situate in Jersey (the terms "beneficial owner" and "paying agent" are defined in the EU Savings Tax Directive). The retention tax system will apply for a transitional period prior to the implementation of a system of automatic communication to Member States of the European Union of information regarding such payments. The transitional period will end only after all Member States of the European Union apply automatic exchange of information and the Member States of the European Union unanimously agree that the United States of America has committed to exchange of information upon request. During this transitional period, such an individual beneficial owner resident in a Member State of the European Union will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the Member State of the European Union in which the beneficial owner is resident.

Under the implementation of the retention tax system in Jersey the Issuer will not be obliged to levy retention tax in respect of interest payments made by it to a paying agent.

European Union Code of Conduct on Business Taxation

On 3 June 2003 the European Union Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the European Union, however, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, it intends to propose legislation to replace the Jersey exempt company regime before the end of 2008 with a general zero rate of corporate tax.

ERISA CONSIDERATIONS

Subject to the considerations discussed below, the Notes (other than the Class H Notes) are eligible for purchase by employee benefit plans and other plans. Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the Code, prohibit a pension, profit-sharing or other employee benefit plan, as well as an individual retirement account, certain types of Keogh plan, an entity using the assets of or acting on behalf of such a benefit plan or plan, or an entity whose underlying assets are deemed to include plan assets of any such benefit plan or plan (each, a "**Plan**"), from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons. Title I of ERISA also requires that fiduciaries of a Plan subject to ERISA make investments that are prudent, diversified (except if prudent not do so) and in accordance with governing plan documents.

Certain transactions involving the purchase, holding or transfer of the Notes might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the Issuer were deemed to be assets of a Plan. Under a regulation issued by the United States Department of Labor, as modified by Section 3(42) of ERISA (the "**Plan Assets Regulation**"), the assets of the Issuer would be treated as plan assets of a Plan for the purposes of ERISA and the Code only if the Plan acquires an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Notes (other than the Class H Notes) should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation and that such Notes should not constitute equity interests in the Issuer for purposes of the Plan Assets Regulation. Nevertheless, the debt treatment of the Notes could change under certain circumstances, such as if the ratings of such Notes decline or the Issuer incurs losses.

Without regard to whether the Notes are treated as debt without substantial equity features for these purposes, the acquisition or holding of such Notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction if the Issuer, or any of its affiliates, is or becomes a party in interest or a disqualified person with respect to such Plan. In such case, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the transaction involving the acquisition of a Note. Included among these exemptions are: Prohibited Transaction Class Exemption ("**PTCE** ") 96- 23, regarding transactions effected by "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding investments using the assets of insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding transactions effected by "qualified professional asset managers"; and the exemption under new Section 408(b)(17) of ERISA and new Section 4975(d)(2) of the Code for certain arm's-length transactions with a person that is a party in interest solely by reason of providing services to Plans or being an affiliate of such a service provider. By its acquisition of a Note (other than a Class H Note) or any interest therein, each purchaser will be deemed to represent and warrant that its purchase and holding of such Note or such interest will not result in a non-exempt prohibited transaction under ERISA or the Code.

Although there can be no assurances in this regard, it appears that a Class H Notes may be treated as an equity interest in the Issuer for purposes of the Plan Assets Regulation. Accordingly, by its acquisition of a Class H Note, each purchaser will be deemed to represent and warrant that it is not a Plan.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans are not subject to ERISA requirements, but may be subject to similar state, local or non-U.S. laws.

A PLAN FIDUCIARY CONSIDERING THE PURCHASE OF A NOTE SHOULD CONSULT ITS TAX AND/OR LEGAL ADVISORS REGARDING WHETHER THE ASSETS OF THE ISSUER WOULD BE CONSIDERED PLAN ASSETS, THE POSSIBILITY OF EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION RULES AND OTHER ISSUES AND THEIR POTENTIAL CONSEQUENCES.

SUBSCRIPTION AND SALES

The following description of the subscription and sale arrangements relating to the Notes consists of summaries of certain provisions of the Subscription Agreement and is qualified by reference to the provisions of the Subscription Agreement. The description, however, does not restate the Subscription Agreement in its entirety and prospective investors must refer to the Subscription Agreement for detailed information.

General

Pursuant to the Subscription Agreement, KBC Bank NV of Havenlaan 2, 1080, Brussels, Belgium (the "**Bookrunner**") has agreed, upon the terms and conditions contained therein, to purchase from the Issuer, at an issue price of 100 per cent. of their respective Initial Principal Balances, the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes. The Bookrunner is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the issue of the Notes. On the Closing Date, beneficial interests in the Notes represented by the Global Note Certificates will be transferred (in the book entry systems of DTC, Euroclear and Clearstream, Luxembourg) to the order of the Bookrunner against payment of the issue price in immediately available funds.

United States

The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or other relevant jurisdiction and may not be offered or sold within the United States or to a U.S. person (as defined in Regulation S under the Securities Act), except to a "qualified purchaser" within the meaning of Section 2(a)(51) of the 1940 Act, as amended, and the rules thereunder (a "**QP**"), who is also a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act ("**QIB**"). The Notes may be sold to non "U.S. persons" in transactions outside the United States in reliance on Regulation S under the Securities Act.

In connection with sales of the Notes, the Bookrunner has represented, warranted and undertaken pursuant to the Subscription Agreement, that:

- (a) it understands that the Notes have not been and will not be registered under the Securities Act and may only be offered or sold by the Bookrunner (1) within the United States in reliance on Rule 144A to QIBs who are also QPs and (2) in offshore transactions to non-U.S. persons in reliance on Regulation S;
- (b) it agrees (1) not to solicit offers for, or offer or sell, any Notes by any form of general solicitation or general advertising or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act and Regulation D thereunder; (2) with respect to offers and sales in the United States, to solicit offers for the Notes only from, and to offer the Notes only to, investors that the Bookrunner reasonably believes are QIBs who are also QPs; and (3) with respect to offshore transactions, not to engage, and not to permit any of its Affiliates (as defined in Rule 501(6) of Regulation D under the Securities Act) or any person acting on its behalf to engage, in any directed selling efforts (as such term is defined in Regulation S) with respect to the Notes and to comply, and cause its Affiliates and each person acting on its behalf to comply, with the offering restriction requirements of Rule 903 of Regulation S;
- (c) it will offer and sell the Notes in the United States only through a U.S. registered broker-dealer;
- (d) in connection with offers, sales and other transactions outside the United States (except for sales to QIBs who are also QPs as described herein) it will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons:
 - (1) as part of the Bookrunner's distribution at any time; or
 - (2) otherwise prior to the date that is 40 calendar days after the later of the commencement of the offering and the Closing Date (such period, the "**Distribution Compliance Period**");
- (e) at or prior to confirmation of sale of Rule 144A Global Notes, it will have sent to each distributor, dealer or other person to which it sells such Notes during the Distribution Compliance Period purchasing for their own account or for the account of a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been and will not be registered under the Securities Act and may not be offered, sold, resold, delivered or transferred (A) within the United States or to, or for the account or benefit of, U.S. persons as such term is defined in Regulation S, except in accordance with Rule 144A, if available, under the Securities Act and, if pursuant to Rule 144A, to persons purchasing for their own account or for the account of qualified institutional buyers (as defined in Rule 144A) ("**QIBs**") and qualified purchasers (as defined in Section 2(a)(51) of the 1940 Act and the rules and regulations of the U.S. Securities and Exchange Commission thereunder) ("**QP**") and, for which the purchaser is acting as fiduciary or agent. Unless otherwise specified, terms used above have the meanings given to them by Regulation S or Rule 144A."; and
- (f) at or prior to confirmation of sale of the Reg S Global Notes, it will have sent to each distributor, dealer or other person to which it sells such Notes during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been and will not be registered under the Securities Act may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in accordance with the United States Regulation S. Terms used above have the meanings given to them by Regulation S."

The Issuer and the Bookrunner will extend to each prospective investor the opportunity, prior to the consummation of the sale of the Notes, to ask questions of, and receive answers from, the Issuer concerning the Notes and the terms and conditions of the offering and to obtain additional information it may consider necessary in making an informed investment decision and any information in order to verify the accuracy of the information set forth in this Prospectus, to the extent the Issuer and/or the Bookrunner, as applicable, possesses the same. Requests for such additional information may be directed to the directors.

Jersey

The Bookrunner has acknowledged pursuant to the Subscription Agreement that:

- (a) it has not been provided with any prospectus (as defined in any applicable securities legislation) or any similar document in connection with its subscription for the Notes which has been approved or authorised for circulation by the Issuer and in particular acknowledges cognisance of the terms of the consent of the Registrar of Companies in Jersey relating to the Prospectus and its circulation;
- (b) no agency, governmental authority, regulatory body, stock exchange or other entity has made any finding or determination as to the merit for investment of, nor have any such agencies or governmental authorities made any recommendation or endorsement with respect to the Notes;
- (c) the purchase of the Notes has not been or will not be (as applicable) made through, or as a result of, and the distribution of the Notes is not being accompanied by, a general solicitation or advertisement including articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
- (d) it has taken cognisance of the restrictions, if any, on the offering and issuance of the Notes pursuant to applicable securities laws and agrees that it will comply with all relevant securities laws applicable to it concerning the purchase and holding of the Notes and concerning any resale thereof.

The Bookrunner has represented warranted and agreed pursuant to the Subscription Agreement that:

- (a) it is not a resident of Jersey, Channel Islands for income tax purposes;
- (b) it is a financially sophisticated investor who is capable of evaluating the merits and risks of such investment and who has sufficient resources to be able to bear any losses which may result from such investment in the Notes; and
- (c) it will not transfer the Notes to any person who is not a financially sophisticated investor who is capable of evaluating the merits and risks of such investment and who has sufficient resources to be able to bear any losses which may result from such investment in the Notes or to a resident of Jersey, Channel Islands for income tax purposes other than a financial institution acting in the ordinary course of its business.

The Notes may not be offered to, sold to, transferred to or purchased by persons resident for income tax purposes in Jersey other than financial institutions in the normal course of business.

United Kingdom

The Bookrunner has represented, warranted and agreed pursuant to the Subscription Agreement, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the 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 does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA and any applicable secondary legislation made under the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

As used herein, "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

Belgium

This offering does not constitute a public offering in Belgium. The offer may not be advertised and the Notes may not be offered or sold, and this Prospectus or any other offering material relating to the Notes may not be distributed, directly or indirectly, to any persons in Belgium other than to (i) qualified investors as defined in article 10 of the Act of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market (*the Prospectus Act*) and any implementing royal decree, or (ii) other investors in circumstances which do not require the

publication by the Issuer of a prospectus, information circular, brochure or similar document pursuant to Article 3 of the Prospectus Act.

Neither the offering nor this Prospectus has been submitted to the Belgian Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financier- en Assurantiewezen/Commission Bancaire, Financière et des Assurances*) for approval, nor has the latter reviewed, approved or commented on its accuracy or adequacy or recommended or endorsed the purchase of the Notes.

This Prospectus is for the confidential use of the intended recipient only, and may not be reproduced, sent or used for any other purpose. Any action contrary to these restrictions will cause the recipient and the Issuer to be in violation of the Belgian securities laws.

The Bookrunner has represented, warranted and agreed pursuant to the Subscription Agreement, that it shall not offer, sell, resell, transfer or deliver, or take any steps thereto, directly or indirectly, any Notes, and it shall not distribute or publish this document or any other material relating to the Notes or to the offering in a manner which would be construed as a public offering under the Prospectus Act. Any action contrary to these restrictions will cause the recipient and the Issuer to be in violation of the Belgian securities laws.

Ireland

The Bookrunner has represented, warranted and agreed pursuant to the Subscription Agreement, that it will not underwrite, offer, place or do anything in or involving Ireland with respect to Notes:

- (a) otherwise than in conformity with the provisions of the Investment Intermediaries Act 1995 of Ireland, as amended, including, without limitation, Sections 9 and 23 (including advertising restrictions made thereunder) thereof and the codes of conduct made under Section 37 thereof or, in the case of a credit institution exercising its rights under the Banking Consolidation Directive (2000/12/EC of 20th March, 2000) in conformity with the codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989 of Ireland, as amended;
- (b) otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Irish Financial Services Regulatory Authority, a constituent part of the Central Bank and Financial Services Authority of Ireland (IFSRA); and
- (c) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Irish Financial Services Regulatory Authority, a constituent part of the Central Bank and Financial Services Authority of Ireland (IFSRA).

Republic of France

This Prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French Code monétaire et financier and has therefore not been submitted to the Autorité des marchés financiers (the "AMF") for prior approval or otherwise.

Accordingly, the Bookrunner has represented, warranted and agreed pursuant to the Subscription Agreement that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France and neither this Prospectus nor any other offering material relating to the Notes has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), **provided that** such investors are acting for their own account and/or to persons providing portfolio management financial services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined and in accordance with Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D. 764-1 of the French Code monétaire et financier.

Notes may only be offered or sold, directly or indirectly, to the public in the Republic of France in accordance with applicable laws relating to public offerings (which are in particular embodied in Article L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code monétaire et financier).

General

Pursuant to the Subscription Agreement, the Bookrunner has acknowledged that no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bookrunner has undertaken to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes such offering material, in all cases at its own expense.

The Bookrunner has agreed that it will not directly or indirectly offer, sell or deliver any Notes or distribute or publish the Prospectus or any other offering material in or from any jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations.

The Bookrunner has acknowledged that it is not authorised to make any representation or use any information in connection with the issue, purchase and sales of the Notes other than as contained in this Prospectus.

In connection with this issue, KBC Bank (or persons acting on behalf of KBC Bank) may over-allot Notes (**provided that** the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the 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 KBC Bank (or persons acting on behalf of KBC Bank) 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 Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier to occur of 30 days after the issue date and 60 days after the date of the allotment of the Notes.

GENERAL INFORMATION

Jersey Law Requirements

A copy of this Prospectus has been delivered to the Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and the Registrar of Companies has given, and has not withdrawn, consent to its circulation.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Notes.

It must be distinctly understood that, in giving these consents, neither the Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statement made, or opinion expressed, with regard to it.

If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

Litigation

The Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability.

Miscellaneous

Since the date of its incorporation, the Issuer has not commenced operations (except for matters relating to the Transaction Documents). The Issuer does not, save as disclosed herein, have, as of the date of this Prospectus, any loan capital (including term loans) outstanding or created but unissued or any outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, obligations under financial leases, hire purchase commitments, guarantees or other contingent liabilities. No share capital or loan capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option. The Issuer has not published any annual financial statements to date. It is anticipated that the first published audited annual financial statements of the Issuer will be in respect of the year ending 31 December, 2007.

Authorisation

All authorisations, consents and approvals required to be obtained by the Issuer for, or in connection with, the creation and issue of the Notes, the performance by the Issuer of the obligations expressed to be undertaken by it and the distribution of this Prospectus have been obtained and are in full force and effect. The issue of the Notes has been authorised by resolution of the Board of Directors of the Issuer passed on or about 16 February, 2007.

Material Adverse Change

Since 12 February, 2007, being the date of the Issuer's incorporation, there has been no material adverse change, in the prospects of the Issuer.

Currency

In this Prospectus, unless otherwise specified, references to "**Euro**", "**euro**" and "**EUR**" each mean the lawful currency from time to time of the Member States of the European Union that adopt the single currency in accordance with the EC Treaty, references to "**£**", "**GBP**", "**sterling**" and "**Sterling**" are references to the lawful currency from time to time of the United Kingdom and references to "**\$**", "**dollars**", "**Dollars**", "**USD**" and "**U.S. dollars**" are references to the lawful currency from time to time of the United States of America.

Security Codes

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The Common Codes, ISINs and CUSIP for each Class of Notes are as set out in the following table:

<i>Notes</i>	<i>CUSIP (144A)</i>	<i>CUSIP (Reg S)</i>	<i>ISIN (Reg S)</i>	<i>ISIN (144A)</i>	<i>Common Code (Reg S)</i>	<i>Common Code (144A)</i>
Class A1 Notes	75889EAA5	G74795AA6	XS0287823735	US75889EAA55	028782373	28921918
Class A2 Notes	75889EAB3	G74795AB4	XS0287824030	US75889EAB39	028782403	28921985
Class B Notes	75889EAC1	G74795AC2	XS0287824543	US75889EAC12	028782454	28922086
Class C Notes	75889EAD9	G74795AD0	XS0287824626	US75889EAD94	028782462	28922094
Class D Notes	75889EAE7	G74795AE8	XS0287824972	US75889EAE77	028782497	28922124
Class E Notes	75889EAF4	G74795AF5	XS0287825193	US75889EAF43	028782519	28922167
Class F Notes	75889EAG2	G74795AG3	XS0287825359	US75889EAG26	028782535	28922183
Class G Notes	75889EAH0	G74795AH1	XS0287825516	US75889EAH09	028782551	28922213
Class H Notes	75889EAJ6	G74795AJ7	XS0287825607	US75889EAJ64	028782560	28922221

Irish Stock Exchange Listing

It is expected that the listing of the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes on the Official List of the Irish Stock Exchange will be granted on or about 28 February, 2007, subject only to the issue of each of those Classes of Notes. The application for the listing of the Notes will be cancelled if the Notes are not issued. The listing agent responsible for such listing is BNY Fund Services (Ireland) Limited, which is located at Guild House, Guild Street, IFSC, Dublin 1, Ireland.

BNY Fund Services (Ireland) Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the official list of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive or the Prospectus Regulations.

Inspection of Documents, Availability of Information and Publication

For so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require:

- (a) execution copies of the following documents in electronic format will, when published, be available for inspection during usual business hours at the Specified Office of the Paying Agent in Ireland and at the registered office of the Issuer:
 - (1) the Administration and Cash Management Agreement;
 - (2) the Account Bank Agreement;
 - (3) the Agency Agreement;
 - (4) the Collateral Switch Agreement;
 - (5) the Swap Agency Agreement;
 - (6) the Portfolio Credit Swap;
 - (7) the Security Trust Deed;
 - (8) the Note Trust Deed;
 - (9) the Investment Agreement;
 - (10) the GIC Guarantee;
 - (11) the Approved Form of the Repurchase Agreement;
 - (12) the Approved Form of the Custody Agreement;
 - (13) each TRS Arrangement (if any);
 - (14) the Corporate Services Agreement;
 - (15) the Subscription Agreement;
 - (16) the latest audited consolidated annual financial statements of KBC Bank, together with the audit Reports prepared in connection therewith;
 - (17) the memorandum and articles of association of KBC Hong Kong; and
 - (18) any future information memorandum, prospectus or registration document (and supplements thereto) with respect to the Notes;

- (b) copies of the following documents will, when published, be available for inspection in electronic format and copies in original format may be obtained free of charge, during usual business hours, at the Specified Office of each of the Paying Agents and at the registered office of the Issuer:
- (1) the memorandum and articles of association of the Issuer;
 - (2) the future published audited annual financial statements of the Issuer;
 - (3) the Cash Administrator's Report and the Investors' Report delivered by the Administrator with respect to each Interest Payment Date.
 - (4) the Calculation Verification Reports (if any) of the Independent Accountants; and
 - (5) the Quarterly Reference Registry Confirmation Reports and the Independent Reference Registry Confirmation Reports of the Independent Confirmation Agent; and
- (c) this Prospectus will be available in electronic format at the website of the Irish Financial Services Regulatory Authority (www.financialregulator.ie/frame_main.asp?pg=%2Findustry%2Fin%5Fmark%5Fintr%2Easp&nv=%2Findustry%2Fin_nav.asp). This website does not form part of the Prospectus for the purpose of approval of the Prospectus and listing of the Notes.

The Issuer has not published any annual financial statements to date. It is anticipated that the first published audited annual financial statements of the Issuer will be in respect of the year ending 31 December, 2007. When published, such financial statements will be available for inspection and free of charge in accordance with (b) above. Save as provided above, the Issuer is not required, and the Issuer does not intend, to publish post issuance reports and accounts.

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