OFFERING CIRCULAR dated 8 June 2005

EUROCLEAR FINANCE 2 SA

(incorporated in Luxembourg with limited liability)

€300,000,000

Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities

Issue Price: 100 per cent.

irrevocably guaranteed on a subordinated basis by

EUROCLEAR BANK SA/NV

(incorporated in Belgium with limited liability)

Interest on the €300,000,000 Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities (the ''Securities'') is payable (i) annually in arrear from (and including) 10 June 2005 (the ''Issue Date'') to (but excluding) 15 June 2015 at the rate of 4.235 per cent. per annum on 15 June in each year commencing on 15 June 2006 and ending on 15 June 2015 and (ii) quarterly in arrear from (and including) 15 June 2015 at the rate of 3 month Euribor plus a margin of 1.83 per cent. per annum on 15 March, 15 June, 15 September and 15 December of each year commencing on 15 September 2015.

If the Issuer gives a Deferral Notice stating that it will defer the payment of interest that would have been payable on an Interest Payment Date or any portion thereof, no interest amount or less than all of the full interest amount will be payable on such Interest Payment Date. The Issuer may give a Deferral Notice in its sole discretion, but if, before or as a result of paying any interest amounts, a Net Assets Deficiency Event has occurred and is continuing or would occur with respect to the Guarantor, it is required to give a Deferral Notice. Notwithstanding the foregoing and subject to certain exceptions, deferred Coupons will become mandatorily payable upon any payment of dividends or other payments in respect of the ordinary shares, preference shares, profit-sharing certificates (*parts bénéficiaires/winstbewijzen*) or Parity Securities of the Guarantor or any redemption, repurchase or other acquisition by the Guarantor of its ordinary shares, preference shares, profit-sharing certificates *(parts bénéficiaires/winstbewijzen*) or Parity Securities. See ''Terms and Conditions of the Securities – Condition 5 – Interest'', ''– Condition 6 – Deferral of Coupons'' and ''– Condition 7 – Dividend Stopper and Mandatory Coupons''.

Payments on the Securities will be made without deduction for or on account of taxes in Luxembourg or in Belgium to the extent described under ''Terms and Conditions of the Securities – Condition 10 – Taxation''.

The Securities may be redeemed at the option of the Issuer or at the direction of the Guarantor (subject to the prior consent of the Belgian *Commission Bancaire, Financière et des Assurances/Commissie voor het Bank-, Financie- en Assurantiewezen* (''CBFA'')), in whole at their principal amount plus accrued interest on the Interest Payment Date falling on 15 June 2015 and on any Interest Payment Date thereafter. The Securities may also be redeemed in whole, at the Base Redemption Price or at the Make-Whole Price (as provided herein), at the option of the Issuer (subject to the prior consent of the CBFA) in the event of certain changes affecting taxes of Luxembourg or of Belgium. In addition, the Securities are also subject to compulsory redemption or conversion into Conversion Upper Tier 2 Instruments (in each case subject to the prior consent of the CBFA), in whole, at the Base Redemption Price or at the Make-Whole Price (as provided herein) upon the occurrence of certain events or optional redemption, in whole, at the Base Redemption Price as described under ''Terms and Conditions of the Securities – Condition 8 – Redemption, Conversion and Purchase''.

In addition, upon the occurrence of a Supervisory Event or an event resulting in a general *concursus creditorum* on the assets of the Guarantor, the Securities shall be mandatorily converted into Conversion Profit-Sharing Certificates. See ''Terms and Conditions of the Securities – Redemption, Conversion and Purchase''.

See ''Investment Considerations'' for certain information relevant to an investment in the Securities.

Application has been made to list the Securities on the Luxembourg Stock Exchange.

The Securities will initially be represented by a temporary global security, without interest coupons, (the ''Temporary Global Security''), which will be deposited with a common depositary on behalf of Euroclear Bank SA/NV, as operator of the Euroclear System (''Euroclear'') and Clearstream Banking, *société anonyme* (''Clearstream, Luxembourg'') on or about 10 June 2005. The Temporary Global Security will be exchangeable for interests in a global security, without interest coupons, (the ''Global Security'') on or after a date which is expected to be 20 July 2005 upon certification as to non-U.S. beneficial ownership. The Global Security will be exchangeable for definitive Securities in bearer form in the denomination of €50,000 each with Coupons and a Talon attached in the limited circumstances set out in the Global Security. See ''Summary of Provisions relating to the Securities while in Global Form''.

DEUTSCHE BANK **JPMORGAN**

Euroclear Finance 2 SA (the "Issuer") and Euroclear Bank SA/NV (the "Guarantor" or "Euroclear Bank"), having made all reasonable enquiries, confirm that this document contains all information with respect to the Issuer, the Guarantor, the Guarantor and its subsidiaries and affiliates taken as a whole (the "Group"), the Securities, the Conversion Upper Tier 2 Instruments and the Conversion Profit-Sharing Certificates which is material in the context of the issue and offering of the Securities, the statements contained in it relating to the Issuer, the Guarantor and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this document with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Guarantor, the Group, the Securities, the Conversion Upper Tier 2 Instruments or the Conversion Profit-Sharing Certificates the omission of which would, in the context of the issue and offering of the Securities, make any statement in this document misleading in any material respect and all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer and the Guarantor accept responsibility accordingly.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantor or the Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Securities. The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a description of certain further restrictions on offers and sales of the Securities and distribution of this Offering Circular, see "Subscription and Sale" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Managers.

Neither the delivery of this Offering Circular nor the issue of the Securities or any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or the Group since the date hereof.

The Securities have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and are subject to United States tax law requirements. The Securities are being offered outside the United States by the Managers in accordance with Regulation S under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

References herein to "Euro" and "€" are to the lawful currency of member states of the European Union that have adopted the single currency introduced in accordance with the Treaty establishing the European Community, as amended.

In connection with this issue, J.P. Morgan Securities Ltd. may over-allot or effect transactions with a view to supporting the market price of the securities at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on J.P. Morgan Securities Ltd. or any agent of its to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

TABLE OF CONTENTS

INCORPORATION BY REFERENCE

The audited non-consolidated and consolidated accounts of the Guarantor which are contained in the Annual Report of the Guarantor for the years ended 31 December 2003 and 2004 are incorporated by reference in this Offering Circular. Copies of those accounts are available free of charge at the specified office of the Paying Agent as described in ''General Information'' below.

SUMMARY

The following summary refers to certain provisions of the Terms and Conditions of the Securities, Terms and Conditions of the Conversion Profit-Sharing Certificates and the Trust Deed and is qualified by the more detailed information contained elsewhere in this Offering Circular. Capitalised terms used herein have the meaning given to them in "Terms and Conditions of the Securities" and "Terms and Conditions of the Conversion Profit-Sharing Certificates", as appropriate.

Summary of the Securities

Issuer	Euroclear Finance 2 SA, a wholly-owned subsidiary of Euroclear Bank SA/NV, incorporated in Luxembourg.
Guarantor	Euroclear Bank SA/NV.
Parent Company	Euroclear plc.
Trustee	The Law Debenture Trust Corporation p.l.c.
Issue Size	€300,000,000.
Status	The Securities and Coupons constitute and shall constitute direct, unsecured and subordinated obligations of the Issuer and rank and shall at all times rank *pari passu* and without preference among themselves and at least equally and rateably with all other present and future, direct, unsecured, perpetual, non-cumulative and subordinated obligations of the Issuer. Claims in respect of the Securities will rank behind the claims of Senior Creditors, *pari passu* with the claims of the holders of all securities ranking or expressed to rank *pari passu* with the Securities and in priority to the rights and claims of holders of all classes of equity (including holders of preference shares and profit-sharing certificates, if any).
Guarantee	The Guarantor has irrevocably guaranteed, on a subordinated basis, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Securities and the Coupons. The obligations of the Guarantor under the Guarantee in respect of the Securities are and shall be direct, unsecured and subordinated obligations of the Guarantor, which rank and shall rank *pari passu* and without any preference among themselves. Claims in respect of the Guarantee will rank behind the rights and claims of all creditors (including claims of creditors in respect of the guarantee given by the Guarantor in relation to the Subordinated Guaranteed Floating Rate Notes due 4 October 2010 and the 6.875 per cent. Subordinated Undated Guaranteed Notes both issued by Euroclear Finance SA in 2000 and any other present or future claims of creditors that are capable of constituting tier 2 capital of the Guarantor) of the Guarantor other than as provided in the next two sentences. Claims in respect of the Guarantee will rank *pari passu* with the claims of the holders of the Conversion Profit-Sharing Certificates, if issued, and will rank ahead of the rights and claims of the holders of ordinary shares or preference shares or profit-sharing certificates of the Guarantor. Except in relation to any Mandatory Coupon Date, no amount under the Guarantee will be payable if and to the extent that, before or as a result of giving effect to such payment, a Net Assets Deficiency Event has occurred and is continuing or would occur.
Contributions by the Guarantor	The Guarantor shall contribute or cause to be contributed to the capital of the Issuer or otherwise make available such funds as may be necessary to permit the Issuer to pay any Coupon due on the Securities in accordance with their terms. No such contribution, except in relation to a Mandatory Coupon, to the capital of the Issuer shall be payable if and to the extent that a Net Assets Deficiency Event has occurred and is continuing, or would, as a result of the payment of the contribution, occur with respect to the Guarantor or

if, as a result of the payment of the contribution, the Guarantor would not be solvent or would be in a situation of cessation of payment (*cessation de paiement/staking van betaling*).

Coupons

The Securities will bear interest from and including 10 June 2005 to but excluding the Interest Payment Date falling on 15 June 2015, at the rate of 4.235 per cent. per annum commencing on 15 June 2006 and ending on 15 June 2015 and (ii) thereafter quarterly in arrear from (and including) 15 June 2015 at the rate of 3 month Euribor plus a margin of 1.83 per cent. per annum on 15 March, 15 June, 15 September and 15 December of each year commencing on 15 September 2015.

Coupon Deferral

The Issuer shall have the option to defer the payment of interest on any Interest Payment Date, except as described in ''Mandatory Coupon'' below.

If and to the extent that, before or as a result of paying any interest on the Securities otherwise due and payable on an Interest Payment Date, a Net Assets Deficiency Event has occurred and is continuing or would occur, the Issuer shall defer the payment of interest by issuing a Deferral Notice and no interest or less than the full interest amount shall be due and payable on such Interest Payment Date; *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to the Guarantor, interest on the Securities shall be mandatorily due and payable on any Mandatory Coupon Date.

Dividend Stopper

The Guarantor has agreed in the Trust Deed and the Parent Company has agreed in the Deed Poll that, beginning on the day on which the Issuer gives a Deferral Notice and continuing until Coupons representing in aggregate one calendar year's interest have been paid in full since the date of the Deferral Notice:

(A) the Guarantor:

(i) shall not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend or other payment in respect of its Junior Securities or Parity Securities; and

(ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition); and

(B) the Parent Company:

(i) shall not declare or pay any dividend or other payment in respect of its Junior Securities or Parity Securities;

(ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition); and

(iii) shall not vote, and shall procure that no vote is cast by any of its Subsidiaries, in favour of any of the declarations, payments, redemptions, repurchases or acquisitions described in clauses (A)(i) and (ii) above;

provided that, if less than the full amount of interest is paid on the Securities on any Interest Payment Date, the undertaking will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Interest Payment Date and ending before the next succeeding Interest Payment Date.

Mandatory Coupon	If the Guarantor (A) pays any dividend or other payment in respect of any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition), then a Mandatory Coupon will be due and payable on each Mandatory Coupon Date, notwithstanding any Deferral Notice as to such interest or the occurrence of any Net Assets Deficiency Event with respect to the Guarantor. In the case of any dividend or other payment in respect of any Set Rate Parity Securities, the interest payable on each related Mandatory Coupon Date shall be mandatorily payable in an amount that results in payment on such Mandatory Coupon Date of a proportion of the full interest amount on the Securities payable on the Interest Payment Date equal to the proportion that such dividend or other payment bears to a full dividend or full payment in respect of, such Set Rate Parity Securities.
Optional Redemption	The Securities may be redeemed at the option of the Issuer, in whole (but not in part) on 15 June 2015 or on any subsequent Interest Payment Date at the Base Redemption Price.
Redemption or Conversion for Tax Reasons	Upon the occurrence of a Tax Event, the Issuer will have the right (i) in the case of the occurrence of an event described in Clause (B) of the definition of a Tax Event, at any time before the First Call Date, to redeem the Securities in whole (but not in part) at a redemption price equal to the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, (ii) in the case of the occurrence of an event described in Clause (A) of the definition of Tax Event, at any time, or, in the case of the occurrence of an event described in Clause (B) of the definition of Tax Event, on or after the First Call Date, to redeem the Securities in whole (but not in part) at the Base Redemption Price at any time prior to the First Call Date or on any Interest Payment Date on or after the First Call Date, or (iii) at any time, to convert the Securities in whole (but not in part) into Conversion Upper Tier 2 Instruments.
Redemption or Conversion for Tier 1 Disqualification Reasons	Upon the occurrence of a Tier 1 Disqualification Event, the Issuer will have the right (i) at any time before the First Call Date, to redeem the Securities in whole (but not in part) at a redemption price equal to the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, (ii) on the First Call Date or any subsequent Interest Payment Date, to redeem the Securities in whole (but not in part) at the Base Redemption Price, or (iii) at any time, to convert the Securities in whole (but not in part) into Conversion Upper Tier 2 Instruments.
Compulsory Redemption	Subject to prior approval of the CBFA, the Issuer shall redeem all, but not some only, of the Securities at the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, if redeemed on or before the Interest Payment Date falling on 15 June 2015, or at the Base Redemption Price if redeemed after the Interest Payment Date falling on 15 June 2015, if the Parent Company and/or the Guarantor has terminated the Licence Agreement and, as of the termination date, the Licence Agreement has not been replaced by a new licence agreement with the Guarantor as licensee on, in the opinion of the Trustee (acting without liability on the advice of an independent financial or other expert adviser in forming such an opinion), substantially the same terms as the Licence Agreement, and the Guarantee has not, at the date of termination of the Licence Agreement, been assumed by a Substitute Guarantor.

Mandatory Conversion	Upon the occurrence of a Supervisory Event or any event resulting in a general *concursus creditorum* (*concours des créanciers/samenloop van schuldeisers*) on the assets of the Guarantor, the Securities will be converted into Conversion Profit-Sharing Certificates, having a total nominal value in euros equal to the aggregate of (i) the aggregate principal amount of the Securities outstanding, (ii) accrued but unpaid interest, if any, with respect to the then current Interest Period accrued on a daily basis to (but excluding) the date of the Mandatory Conversion, and (iii) Additional Amounts, if any.
Event of Default and Winding-Up	If the Issuer fails to pay any Mandatory Coupon (or if the Guarantor fails to pay any amount under the Guarantee in respect of any Mandatory Coupon) on the relevant Mandatory Coupon Date and such default continues for a period of 30 days, the Trustee at its discretion may, and if so instructed by Securityholders holding not less than one-quarter of the aggregate principal amount of the outstanding Securities or if so directed by an Extraordinary Resolution shall, subject in each case to its being indemnified and/or secured to its satisfaction, institute proceedings to obtain payment of the amounts due and to institute proceedings in Luxembourg (but not elsewhere) in respect of the Issuer or in Belgium (but not elsewhere) in respect of the Guarantor for the winding-up, dissolution, bankruptcy, suspension of payments or judicial composition proceedings (*gestion contrôlée, concordat judiciaire or sursis de paiement*) of the Issuer or the Guarantor, as the case may be.
Withholding Tax and Additional Amounts	The Issuer or, as the case may be, the Guarantor will pay such Additional Amounts as may be necessary in order that the net payment received by each Securityholder in respect of the Securities, after withholding for any taxes imposed by tax authorities in Luxembourg or Belgium upon payments made by or on behalf of the Issuer or, as the case may be, the Guarantor in respect of the Securities, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions (see also "Redemption or Conversion for Tax Reasons", above).
Listing	Application has been made for the Securities to be listed on the Luxembourg Stock Exchange.
Governing Law	The Securities and, subject to the next sentence, the Guarantee will be governed by, and construed in accordance with, English law. The subordination of the Guarantee, however, is governed by, and shall be construed in accordance with, Belgian law.
Form	The Securities will be issued in bearer form. The Securities will be represented initially by the Temporary Global Security which will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear on or about 10 June 2005. The Temporary Global Security will be exchangeable for interests in the Permanent Global Security without interest coupons or talons on or after a date which is expected to be 20 July 2005 upon certification as to non-U.S. beneficial ownership as required by United States Treasury regulations and as described in the Temporary Global Security. Save in limited circumstances, Securities in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global Security.
Investment Considerations	Prospective investors should carefully consider the information under "Investment Considerations" in conjunction with the other information contained or incorporated by reference in this document.

Summary of the Conversion Profit-Sharing Certificates

Bank	Euroclear Bank SA/NV.
Parent Company	Euroclear plc.
Trustee	The Law Debenture Trust Corporation p.l.c.
Issuance	The Conversion Profit-Sharing Certificates will be issued upon the occurrence of a Supervisory Event or any event resulting in a general *concursus creditorum (concours des créanciers/samenloop van schuldeisers)* on the assets of the Bank.
Amount	The Conversion Profit-Sharing Certificates will be issued with a total nominal value in Euros equal to the sum of (i) the aggregate principal amount of the outstanding Securities, (ii) accrued but unpaid interest, if any, with respect to the current Interest Period accrued on a daily basis to (but excluding) the date of the Mandatory Conversion and (iii) Additional Amounts, if any.
Status	The Conversion Profit-Sharing Certificates constitute direct, unsecured and subordinated obligations of the Bank and will rank at all times *pari passu* and without any preference among themselves. In the event of a general *concursus creditorum* (*concours des créanciers/samenloop van schuldeisers*) on the entire assets of the Bank, the rights of the Holders of Conversion Profit-Sharing Certificates will rank behind those of all creditors of the Bank, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of the Bank), and their payment will be subject to the condition precedent that all such creditors of the Bank will have been paid in full. The Conversion Profit-Sharing Certificates will rank equally with the Parity Securities of the Bank and will rank ahead of the Junior Securities of the Bank. In a liquidation of the Bank, the Holders of Conversion Profit-Sharing Certificates will be entitled to the repayment of the nominal value of the Conversion Profit-Sharing Certificates, subject to the above ranking provisions, but will not be entitled to share in further liquidation proceeds of the Bank.
Distributions	If the Conversion Profit-Sharing Certificates are issued before 15 June 2015, the distribution entitlement until (but excluding) that date will be calculated at the rate of 4.235 per cent. per annum on their nominal amount, payable in arrear on 15 June in each year and thereafter quarterly in arrear from (and including) 15 June 2015 at the rate of 3 month Euribor plus a margin of 1.83 per cent. per annum on 15 March, 15 June, 15 September and 15 December of each year. Distributions will be payable unless insufficient distributable profits are available or a Net Assets Deficiency Event has occurred and is continuing or would occur as a result of paying such distribution.
Dividend Stopper	If a full distribution has not been paid on the Conversion Profit-Sharing Certificates on any Distribution Date, then the Bank will, for a period of 12 months after such Distribution Date, (i) not propose to its shareholders and, to the fullest extent permitted by applicable law, otherwise act to prevent the declaration or payment of any dividend or other payment in respect of its Junior Securities or Parity Securities and (ii) not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition). The Parent Company has agreed in the Deed Poll that, if a full distribution has not been paid on the Conversion Profit-Sharing Certificates on any Distribution Date, then for a period of 12 months

	after such Distribution Date (A) it (i) shall not declare or pay any dividend or other payment in respect of its Junior Securities or Parity Securities and (ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition), and (B) it shall not vote, and shall procure that no vote is cast by any of its Subsidiaries, in favour of any actions of the Bank described in the paragraph above.
Mandatory Distribution	Subject only to the availability of distributable profits in accordance with Article 617 of the Belgian Companies Code, if the Bank (A) pays any dividend or other payment in respect of any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition), then the distributions payable on each Distribution Date occurring during the Relevant Period will be mandatorily payable on each such date.
Optional Redemption	The Conversion Profit-Sharing Certificates may be redeemed at the option of the Bank, in whole (but not in part), on 15 June 2015 or on any subsequent Distribution Date at the Base Redemption Price.
Redemption upon Tier 1 Disqualification Event	Upon the occurrence of a Tier 1 Disqualification Event, the Bank will have the right (i) at any time before the First Call Date, to redeem the Conversion Profit-Sharing Certificates in whole (but not in part) at a redemption price equal to the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, (ii) on the First Call Date or on any subsequent Distribution Date, to redeem the Conversion Profit-Sharing Certificates in whole (but not in part) at the Base Redemption Price, or (iii) at any time, to convert the Conversion Profit-Sharing Certificates in whole (but not in part) into Exchange Upper Tier 2 Instruments.
Withholding Tax and Additional Amounts	The Bank will pay such Additional Amounts as may be necessary in order that the net payment received by each Holder, after withholding for any taxes imposed by tax authorities in Belgium upon payments made by or on behalf of the Bank in respect of the Conversion Profit-Sharing Certificates, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions.
Voting Rights	The Holders of Conversion Profit-Sharing Certificates will have no voting rights, save in the cases mandatorily provided for by the Belgian Companies Code. They will not be entitled to attend shareholders meetings, save when they are entitled to vote.
Preference Rights	The Holders of Conversion Profit-Sharing Certificates will have no preference rights in respect of any subsequent issuance of shares, profit-sharing certificates (*parts bénéficiaires/winstbewijzen*) or other securities by the Bank.
Reduction by Way of Absorption of Losses	The reserve constituted by contributions made in consideration for the issuance of the Conversion Profit-Sharing Certificates may be reduced by way of absorption of losses in accordance with Article 614 of the Belgian Companies Code. However, the entitlement of the Holders of Conversion Profit-Sharing Certificates to distributions will continue irrespective of any such reduction even if it results in the cancellation of the entire reserve representing the Conversion Profit-Sharing Certificates.

Listing	The Bank shall use its best endeavours to procure a listing of the Conversion Profit-Sharing Certificates on an EU-regulated exchange on issue or as soon as practicable thereafter.
Governing Law	The Conversion Profit-Sharing Certificates will be governed by, and construed in accordance with, Belgian law.
Form	The board of directors or executive committee of the Bank may determine that Conversion Profit-Sharing Certificates will be issued in registered form or in the form of a global bearer certificate, in each case capable of being cleared through CIK (*Interprofessionele effectendeposito- en girokas/Caisse interprofessionnelle de dépôts et de virements de titres*), Euroclear and/or Clearstream, Luxembourg or their respective successors.

TERMS AND CONDITIONS OF THE SECURITIES

The following are the terms and conditions which (subject to amendment) will be endorsed on the Securities in definitive form. So long as the Securities are in global form, the effect of certain of these terms and conditions will be amended by the provisions of the Temporary Global Security or Global Security (see ''Summary of Provisions relating to the Securities while in Global Form'').

The issue of the €300,000,000 Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities issued by Euroclear Finance 2 SA (the ''Issuer'') and guaranteed by Euroclear Bank SA/NV (the ''Guarantor'') on or about 10 June 2005 (the ''Securities'') was authorised by a resolution of the board of directors of the Issuer passed on 18 May 2005 and the guarantee of the Securities was authorised by a resolution of the board of directors of the Guarantor passed on 23 March 2005. The Securities are constituted by a Trust Deed (the ''Trust Deed'') dated 10 June 2005 between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the ''Trustee'', which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Securities (the ''Securityholders''). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Securities, the interest coupons relating to them (the ''Coupons'') and the Talons (as defined below). Copies of the Trust Deed and of the paying agency agreement (the ''Paying Agency Agreement'') dated 10 June 2005 relating to the Securities between the Issuer, the Guarantor, the Trustee, JPMorgan Chase Bank, N.A. as agent bank (the ''Agent Bank'', which expression includes the agent bank for the time being) and the initial principal paying agent and paying agents named in it, are available for inspection during normal business hours at the registered office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the principal paying agent for the time being (the ''Principal Paying Agent'') and the paying agents for the time being (the ''Paying Agents'', which expression shall include the Principal Paying Agent). The Securityholders and the holders of the Coupons (whether or not attached to the Securities) and, where applicable in the case of such Securities, talons for further Coupons (the ''Talons'') (the ''Couponholders'') are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those of the Paying Agency Agreement applicable to them.

1. Definitions

In these Conditions the following expressions have the following meanings:

''Additional Amounts'' shall have the meaning set out in Condition 10.

''Administrative Action'' means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental or administrative authority or regulatory body having appropriate jurisdiction.

''Applicable Banking Regulations'' means at any time the capital adequacy regulations then in effect of the CBFA or other regulatory authority in Belgium (or, if the Guarantor becomes domiciled in a jurisdiction other than Belgium, such other jurisdiction) having primary bank supervisory authority with respect to the Guarantor.

''Assets'' means the total amount of assets of the Guarantor as shown by the latest published audited non-consolidated balance sheet of the Guarantor but adjusted for contingencies and for subsequent events, in such manner as two Directors, the liquidator or similar officer of the Guarantor may determine.

''Base Redemption Price'' shall have the meaning set out in Condition 8(d).

''Business Day'' means a day on which the TARGET System is operating.

''CBFA'' means the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financière et des Assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*), together with any successor authority that administers the Applicable Banking Regulations.

''Conversion Profit-Sharing Certificates'' means the profit-sharing certificates (*parts bénéficiaires/winstbewijzen*) directly issued by the Guarantor pursuant to Condition 8(c) upon the occurrence of a Supervisory Event or upon an event resulting in a general *concursus creditorum* on the assets of the Guarantor.

''Conversion Upper Tier 2 Instruments'' means instruments issued directly by the Issuer constituting ''upper tier 2'' regulatory capital of the Guarantor on a consolidated basis under Applicable Banking Regulations having the same material terms as the Securities as determined by an independent investment bank appointed by and at the expense of the Issuer with the prior written approval of the Trustee, except that each such instrument will (i) be a perpetual capital security issued by the Issuer with cumulative interest, (ii) rank *pari passu* with any other ''upper tier 2'' capital securities issued by the Issuer, (iii) not be redeemable upon a Tier 1 Disqualification Event, (iv) not be subject to a Mandatory Conversion and (v) be subject to such terms and conditions as may be required under Applicable Banking Regulations to be capable of constituting ''upper tier 2'' regulatory capital of the Guarantor on such consolidated basis. For the avoidance of doubt, with respect to any Securities, any Coupons outstanding at the time of a conversion into Conversion Upper Tier 2 Instruments shall become outstanding cumulative interest payments for the purposes of the Conversion Upper Tier 2 Instruments and the terms of such Conversion Upper Tier 2 Instruments will be reflected in one or more trust deeds or in a trust deed supplemental to the Trust Deed, without the need for any consent of the Securityholders, at the time of conversion, if any.

''Coupon Amount'' shall have the meaning set out in Condition 5(b)(iii).

''Deed Poll'' means the deed poll dated 10 June 2005 and made by the Parent Company in favour of, *inter alios*, the Trustee and the Securityholders in which the Parent Company gives certain undertakings as referred to in Condition 7(a).

''Deferral Notice'' shall have the meaning set out in Condition 6(a).

''Elective Deferred Coupons'' shall have the meaning set out in Condition 5(e).

''Euro-zone'' means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community.

''Exceptional Deferred Coupons'' shall have the meaning set out in Condition 5(e).

''First Call Date'' shall have the meaning set out in Condition 8(d).

''Guarantee'' shall have the meaning set out in Condition 4(a).

''Interest Determination Date'' shall have the meaning set out in Condition 5(b)(ii).

''Interest Payment Date'' means (A) 15 June in each year for the purposes of Condition 5(a) and (B) 15 March, 15 June, 15 September and 15 December in each year for the purposes of Condition 5(b) (*provided that*, for the purposes of Condition 5(b), if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day).

''Interest Period'' means the period from and including one Interest Payment Date (or, as the case may be, the Issue Date) to but excluding the next (or first) Interest Payment Date.

''Issue Date'' shall have the meaning set out in Condition 5(a).

''Junior Securities'' means with respect to the Guarantor or the Parent Company, as the case may be, (i) ordinary shares, (ii) preference shares or profit-sharing certificates (*parts bénéficiaires/ winstbewijzen*) ranking junior to its Parity Securities, (iii) any other of its securities or obligations ranking or expressed to rank junior to its Parity Securities issued directly by it (together with such securities as are mentioned in (i) and (ii), ''Junior Shares''), and (iv) any other securities or obligations ranking or expressed to rank junior to its Parity Securities issued by any of its subsidiaries and benefiting from a guarantee or support agreement from it ranking or expressed to rank junior to the Guarantee (''Junior Guarantees'').

''Liabilities'' means the total amount of liabilities of the Guarantor as shown by the latest published audited non-consolidated balance sheet of the Guarantor but adjusted for contingencies and for subsequent events, all valued in such manner as two Directors, the liquidator or similar officer of the Guarantor may determine.

''Licence Agreement'' means the licence agreement dated 10 March 2000 as amended and/or restated from time to time between the Parent Company and the Guarantor under which the Guarantor operates the Euroclear System.

''Make-Whole Price'' means the price, determined by the Agent Bank, which is calculated by discounting, at a rate of the Bund Yield plus 0.25 per cent., the principal amount and interest that is due after the value date in respect of which the redemption has been exercised, up to, and including, the First Call Date (assuming full payment of each and redemption of the Securities in whole thereon). For this purpose, the Bund Yield shall be the offer yield, as determined by the Agent Bank, on the second day on which the TARGET system is operating before the relevant date for redemption, on an annual Actual/Actual basis, of the ''on the run'' German government bond, that is displayed on the Bloomberg German Government Pricing Monitor for reference Bund bonds, page PXGB (or such other page or service as may replace it for the purposes of displaying reference Bund bonds), and that has a maturity closest to the First Call Date.

''Mandatory Conversion'' shall have the meaning set out in Condition 8(c).

''Mandatory Conversion Amount'' shall have the meaning set out in Condition 8(c).

''Mandatory Coupon Date'' shall have the meaning set out in Condition 7(b).

''Margin'' means in respect of any Interest Period commencing on or after 15 June 2015, 1.83 per cent. per annum.

''Net Assets'' means (subject to any change in Article 617 of the Belgian Companies Code that may occur after the Issue Date) the total assets of the Guarantor as they appear in the non-consolidated balance sheet of the Guarantor after deduction of provisions, debts (including for the avoidance of doubt, the Securities), formation expenses not yet written off and research and development costs not yet written off.

''Net Assets Deficiency Event'' means (a) a decline in the Net Assets of the Guarantor to below the sum of its paid-in capital (or called-up capital if the latter is bigger) and non-distributable reserves, as determined in accordance with Article 617 of the Belgian Companies Code in relation to the distribution of dividends or (b) an occurrence of the event described in clause (i) of the definition of Supervisory Event.

''Parent Company'' means Euroclear plc.

''Parity Securities'' means, with respect to the Guarantor or the Parent Company, (i) the most senior ranking preferred or preference shares or profit-sharing certificates (*parts bénéficiaires/ winstbewijzen*) (''Parity Shares'') of the Guarantor or the Parent Company, if any, and (ii) guarantees by the Guarantor or the Parent Company (whether through an agreement or instrument labelled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of preferred securities or preferred or preference shares issued by any of the Guarantor's subsidiaries or the Parent Company's Subsidiaries, effectively ranking or expressed to rank *pari passu* with the Guarantor's or the Parent Company's respective Parity Shares (''Parity Guarantees''), if any.

''Permitted Share Acquisition'' means an acquisition of Junior Securities, Parity Shares or other securities benefitting from a Parity Guarantee (i) by simultaneous replacement with other Junior Securities, Parity Shares or other such securities, as the case may be, of the same aggregate principal amount and the same or lower ranking, (ii) in connection with transactions effected for the account of customers of the Guarantor or any of its subsidiaries or in connection with the distribution, trading or market-making in respect of such securities, or (iii) in connection with the satisfaction by the Guarantor or the Parent Company or any of the Parent Company's Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants. For the avoidance of doubt, Set Rate Parity Securities may be replaced with new Set Rate Parity Securities, in accordance with (i) above, but Parity Securities that are not Set Rate Parity Securities may not be replaced by Set Rate Parity Securities.

''Rate of Interest'' shall have the meaning set out in Condition 5(b)(ii).

''Reference Banks'' shall have the meaning set out in Condition 5(b)(ii).

''Relevant Date'' means in relation to a payment, whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Securityholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any

additional amounts which may be payable under Condition 10 or any undertaking given in addition to or substitution for it under the Trust Deed.

''Relevant Period'' means:

(a) for any Relevant Period commencing on or before 15 June 2015, one year; *provided that* if such Relevant Period commences after 15 June 2014, it shall end on and include 15 June 2015; and

(b) for any Relevant Period commencing after 15 June 2015:

  (i) one year, in the case of (A) any dividend or other payment in respect of Junior Securities or Parity Securities that have annual scheduled payments or have no scheduled payment dates or (B) any redemption, repurchase or other acquisition of Junior Securities or Parity Shares or other securities benefiting from Parity Guarantees (other than a Permitted Share Acquisition);

  (ii) six months, in the case of any dividend or other payment in respect of Junior Securities or Parity Securities that have semi-annual scheduled payments; and

  (iii) three months, in the case of any dividend or other payment in respect of Junior Securities or Parity Securities that have quarterly (or more frequent) scheduled payments,

provided that in each case such Relevant Period (unless it commences after 15 June 2014 and ends on and includes 15 June 2015) shall commence on and include the day of the relevant dividend or redemption, repurchase or other acquisition but shall not include the corresponding day of the third, sixth or twelfth month thereafter, as the case may be.

''Senior Creditors'' means, in relation to the Issuer and the Guarantor, all creditors of the Issuer or the Guarantor, respectively, other than creditors whose claims are in respect of any Parity Securities or any class of equity (including preference shares).

''Set Rate Parity Securities'' means Parity Securities carrying a right to a set level of distribution (whether by reference to a fixed or floating rate or otherwise), as opposed to a right to a distribution the amount of which, subject to availability of profits, is not set by reference to a fixed or floating rate or otherwise.

''Standard & Poor's'' means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc.

''Subsidiary'' in relation to the Parent Company, shall have the meaning given in Section 736 of the Companies Act 1985.

''Substitute Guarantor'' shall have the meaning set out in Condition 13(c).

a ''Supervisory Event'' will be deemed to occur if (i) the amount of total regulatory capital (*fonds propres/eigen vermogen*) of the Guarantor on a solo or a consolidated basis falls below the minimum amount required by solvency requirements for credit institutions as provided by the current and future European banking regulations and Basel guidelines, as currently implemented by Article 82 §1,3º of the Decree of 5 December 1995 of the CBFA on the regulation of the own funds of the credit institutions (the ''1995 Decree''), (ii) the amount of tier 1 capital (*fonds propres sensu stricto/ eigen vermogen sensu stricto*) of the Guarantor on a solo or a consolidated basis declines below 5/8 of the amount of total regulatory capital as required from time to time by Article 82 § 1,3º of the 1995 Decree, (iii) Article 633 of the Belgian Companies Code becomes applicable by virtue of the value of the Guarantor's Net Assets declining to less than 50 per cent. of its corporate capital, (iv) Article 23 of the Belgian law of 22 March 1993 on the status and supervision of credit institutions (the ''Law of 22 March 1993'') applies by virtue of the Guarantor's capital falling below the amount mentioned in Article 16 of the Law of 22 March 1993 (which is currently fixed at €6.2 million) or (v) at the discretion of the CBFA, Article 57 §1 of the Law of 22 March 1993 becomes applicable due to the special measures imposed by the CBFA in application thereof. For the purposes hereof, references to the 1995 Decree, the Law of 22 March 1993 and, in each case, the provisions thereof shall be deemed to refer to the same as may be amended from time to time or replaced by other laws, regulations or provisions.

''TARGET System'' means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

''Tax Event'' means the Trustee being satisfied (including by the delivery of a legal opinion) that, (1) as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of the Kingdom of Belgium or the Grand Duchy of Luxembourg or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any official interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which official interpretation or pronouncement is announced on or after the Issue Date of the Securities, (A) the Issuer, or the Guarantor in the case of the Guarantee or the Upper Tier 2 Securities is or will be required to pay any Additional Amounts (other than Additional Amounts payable in respect of the Upper Tier 2 Securities as a result of non-compliance by the Issuer or the Guarantor with any formalities required by any taxing authorities in order for the Guarantor to benefit from any exemption from withholding taxes in relation to such Upper Tier 2 Securities) or (B) any interest deduction available to the Issuer in respect of the Securities or, in the case of the Guarantor in respect of the Guarantee or the Upper Tier 2 Securities, is fully disallowed, significantly reduced or otherwise adversely affected in any material respect, and (2) in each case, the effect of which cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it as certified by two authorised signatories of the Issuer or the Guarantor as the case may be. Such certification will be conclusive as to the matters stated therein and shall be binding on the Issuer, the Guarantor, the Trustee and the Securityholders, and the Trustee may rely on the same without liability.

''Tier 1 Disqualification Event'' means the receipt by the Guarantor of an opinion or declaration, rule or decree of the CBFA to the effect that there has been either (i) a change in law or regulation or (ii) a change in the official interpretation thereof, resulting in the Securities (or any portion thereof) not being eligible to be included in calculating the tier 1 capital (*fonds propres sensu stricto/ eigen vermogen sensu stricto*) of the Guarantor on a consolidated basis under Applicable Banking Regulations.

''Upper Tier 2 Securities'' means the securities issued by the Guarantor and subscribed by the Issuer on the Issue Date constituting ''upper tier 2'' regulatory capital of the Guarantor on a non-consolidated basis under Applicable Banking Regulations pursuant to which the Issuer advances the proceeds of the issue of the Securities to the Guarantor.

2. Form, Denomination and Title

(a) Form and denomination

The Securities are serially numbered and are issued in bearer form in the denomination of €50,000 each, having (on issue) Coupons and one Talon attached thereto entitling the holder thereof, subject to Condition 12, to further Coupons and a further Talon.

(b) Title

Title to the Securities, Coupons and Talons passes by delivery. The holder of any Security, Coupon or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

3. Status

The Securities and Coupons constitute and shall constitute direct, unsecured and subordinated obligations of the Issuer, conditional as described below, and rank and shall at all times rank *pari passu* and without preference among themselves and at least equally and rateably with all other present and future, direct, unsecured, perpetual, non-cumulative and subordinated obligations of the Issuer. Claims in respect of the Securities will rank behind the claims of Senior Creditors, *pari passu* with the claims of the holders of all securities ranking or expressed to rank *pari passu* with the Securities and in priority to the rights and claims of holders of all classes of equity (including holders of preference shares and profit-sharing certificates, if any).

4. The Guarantee and Subordination of the Guarantee

(a) The Guarantee

The Guarantor has irrevocably guaranteed, on a subordinated basis, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Securities and the Coupons. Its obligations in that respect (the ''Guarantee'') are contained in the Trust Deed.

(b) Subordination of the Guarantee

The obligations of the Guarantor under the Guarantee in respect of the Securities are and shall be direct, unsecured and subordinated obligations of the Guarantor, conditional as described below, which rank and shall rank *pari passu* and without any preference among themselves. Claims in respect of the Guarantee will rank behind the rights and claims of all creditors (including claims of creditors in respect of the guarantee given by the Guarantor in relation to the Subordinated Guaranteed Floating Rate Notes due 4 October 2010 and the 6.875 per cent. Subordinated Undated Guaranteed Notes both issued by Euroclear Finance SA in 2000 and any other present or future claims capable of qualifying as tier 2 regulatory capital of the Guarantor) of the Guarantor other than as provided in the next two sentences. Claims in respect of the Guarantee will rank *pari passu* with the claims of holders of the Conversion Profit-Sharing Certificates, if issued, and will rank ahead of the rights and claims of the holders of ordinary shares or preference shares or profit-sharing certificates of the Guarantor. Except in relation to any Mandatory Coupon Date, no amount under the Guarantee will be payable if and to the extent that, before or as a result of giving effect to such payment, a Net Assets Deficiency Event has occurred and is continuing or would occur.

(c) Contributions by the Guarantor

The Guarantor shall contribute or cause to be contributed to the capital of the Issuer or otherwise make available such funds as may be necessary to permit the Issuer to pay any Coupon due on the Securities in accordance with their terms. No such contribution to the capital of the Issuer shall be payable if and to the extent that a Net Assets Deficiency Event has occurred and is continuing, or would, as a result of the payment of the contribution, occur with respect to the Guarantor or if, as a result of the payment of the contribution, the Guarantor would not be solvent or would be in a situation of cessation of payment (*cessation de paiement/staking van betaling*); *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to the Guarantor, such contributions to the capital of the Issuer shall be mandatorily payable on or before any Mandatory Coupon Date.

(d) Definitions

For the purpose of this Condition, the Guarantor shall be deemed to be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities due to creditors whose claims are in respect of any Parity Securities or any class of equity (including preference shares)). A report as to the solvency of the Guarantor, at the option of the Guarantor, by (1) two Directors of the Guarantor, or (2) (at the request of the Guarantor) the Auditors of the Guarantor or (3) the liquidator or any similar officer of the Guarantor (if the Guarantor is in winding up, dissolution or bankruptcy in Belgium), shall, in the absence of a manifest error, be treated and accepted by the Guarantor, the Issuer, the Trustee, the Securityholders and the Couponholders as correct and conclusive evidence thereof. The Trustee shall be entitled to rely on such report and shall not be liable for any loss resultant therefrom.

5. Interest

(a) Fixed Rate of Interest

The Securities bear interest from and including 10 June 2005 (the ''Issue Date'') to but excluding the Interest Payment Date falling on 15 June 2015, at the rate of 4.235 per cent. per annum, payable, subject as provided in these Conditions, annually in arrear on each Interest Payment Date. The first such interest payment shall be made on 15 June 2006 in respect of the period from (and including) 10 June 2005 to (but excluding) 15 June 2006 and shall be in the amount of €2,146.51 per €50,000 nominal amount of Securities. If interest is required to be calculated for a period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the ''Calculation Period'') that is:

(i) equal to or less than one year, it shall be calculated on the basis of the number of days in the Calculation Period divided by the number of days in such Interest Period; and

(ii) longer than one year, it shall be calculated on the basis of the sum of:

(x) the number of days in such Calculation Period falling in the Interest Period in which it begins divided by the number of days in such Interest Period; and

(y) the number of days in such Calculation Period falling in the next Interest Period divided by the number of days in such Interest Period.

(b) Floating Rate of Interest

(i) Interest

If the Issuer does not redeem the Securities in accordance with Condition 8(d) on the Interest Payment Date falling on 15 June 2015, interest for each Interest Period thereafter shall be calculated in accordance with this Condition 5(b) and such interest will be payable, subject as provided in these Conditions, on each Interest Payment Date.

(ii) Rate of Interest

The rate of interest from time to time in respect of the Securities (the ''Rate of Interest'') shall be determined by the Agent Bank on the following basis:

(1) On the second Business Day before the beginning of each Interest Period (the ''Interest Determination Date''), the Agent Bank will determine the offered rate for three-month Euro deposits for the Interest Period concerned as at 11.00 a.m. (Central European Time) on the Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page ''248'' on the Telerate Service (or such other page or service as may replace it for the purpose of displaying Euro-zone interbank offered rates of major banks for three-month Euro deposits). The Rate of Interest for such Interest Period shall be the aggregate of the Margin and the rate which so appears, as determined by the Agent Bank.

(2) If the offered rate so appearing is replaced by the corresponding rates of more than one bank, then Condition 5(b)(ii) (1) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, up to the nearest 1/16 per cent.) of the rates (being at least two) which so appear, as determined by the Agent Bank. If for any reason such offered rates do not so appear, or if the relevant page is unavailable, the Agent Bank will request each of the banks whose offered rates would have been used for the purposes of the relevant page if the event leading to the application of this Condition 5(b)(ii) (2) had not happened or any duly appointed substitute reference bank, acting in each case through its principal Euro-zone office (each a ''Reference Bank''), to provide the Agent Bank with its offered quotation to leading banks for three-month Euro deposits in the Euro-zone for the Interest Period concerned as at 11.00 a.m. (Central European Time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the aggregate of the Margin and the arithmetic mean (rounded, if necessary, up to the nearest 1/16 per cent.) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Agent Bank.

(3) If on any Interest Determination Date such offered rate does not so appear on page ''248'' on the Telerate Service (or such other page or service as aforesaid) and the Agent Bank is not able to obtain quotations from two or more Reference Banks, the Rate of Interest shall be the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(b)(ii)(1) or (2) shall have applied.

(iii) Determination of Rate of Interest and calculation of Coupon Amount

The Agent Bank shall, as soon as practicable after 11.00 a.m. (Central European Time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable on the presentation and surrender of each Coupon (the ''Coupon Amount'') for the relevant Interest Period. The Coupon Amount shall be calculated by applying the Rate of Interest to the principal amount of one Security, multiplying such product by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting

figure to the nearest cent (half a cent being rounded upwards). The determination of the Rate of Interest and the Coupon Amount by the Agent Bank shall (in the absence of manifest error or error proven to the satisfaction of the Trustee) be final and binding upon all parties.

(iv) Notification of Rate of Interest and Coupon Amount

The Agent Bank shall cause the Rate of Interest and the Coupon Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Trustee, each of the Paying Agents and any stock exchange on which the Securities are for the time being listed and to be notified to Securityholders as soon as possible after their determination but in no event later than the second Business Day thereafter. The Coupon Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Securities become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Securities shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition but no notification of the Rate of Interest or the Coupon Amount so calculated need be made unless the Trustee otherwise requires.

(v) Determination or calculation by Trustee

If the Agent Bank does not at any time for any reason so determine the Rate of Interest or calculate the Coupon Amount for an Interest Period or make any other determination or calculation required under these Conditions, the Trustee shall do so (or shall procure that an agent of it shall do so on its behalf) and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(vi) Reference Banks and Agent Bank

The Issuer shall procure that, so long as any Security is outstanding, there shall at all times be Reference Banks as provided above (where the Rate of Interest is to be calculated by reference to them) and an Agent Bank for the purposes of the Securities. If any such bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank, as the case may be, or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Coupon Amount, the Issuer shall (with the prior approval of the Trustee) appoint some other leading bank engaged in the Euro-zone interbank market to act as such in its place. The Agent Bank may not resign without a successor having been so appointed.

(c) Interest Payments

Each Security shall cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Securityholder and (ii) the day seven days after the Trustee or the Principal Paying Agent has notified Securityholders of receipt of all sums due in respect of all the Securities up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(d) Coupons

Interest shall be paid against presentation and surrender of the appropriate Coupons in accordance with Condition 9. After all the Coupons attached to or issued in respect of any Security have matured, further Coupons and one further Talon shall be issued against presentation of the relevant Talon.

(e) Deferred Coupons

If, and to the extent that, before or, as a result of paying any interest on the Securities otherwise due and payable on an Interest Payment Date, a Net Assets Deficiency Event has occurred and is

continuing or would occur, the Issuer shall give a Deferral Notice and no interest or less than the full interest amount, in the amount that would be payable without causing a Net Assets Deficiency Event to occur (as specified in such Deferral Notice), shall be due and payable on such Interest Payment Date; *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to the Guarantor, interest on the Securities shall be mandatorily due and payable on any Mandatory Coupon Date in accordance with Condition 7(b). If interest on the Securities is not mandatorily due and payable on an Interest Payment Date and no Net Assets Deficiency Event has occurred, then the Issuer may give a Deferral Notice and no interest or less than the full amount of interest as specified in such Deferral Notice shall be payable on such Interest Payment Date.

Deferred Coupons that are deferred in whole or in part in the circumstances described in the first sentence of this Condition 5(e) are referred to herein as ''Exceptional Deferred Coupons'' and deferred Coupons that are deferred in whole or in part in the circumstances described in the second sentence of this Condition 5(e) are referred to herein as ''Elective Deferred Coupons''.

6. Deferral of Coupons

(a) Deferral Notice

In respect of an Exceptional Deferred Coupon or an Elective Deferred Coupon, the Issuer shall, on or before the tenth Business Day immediately preceding an Interest Payment Date, give notice (a ''Deferral Notice'') that the Issuer will defer the interest that would, in the absence of deferral in accordance with this Condition, otherwise have been due and payable on such Interest Payment Date, or the specified portion thereof, in which case no interest, or less than the full amount of interest as so specified in Condition 5(e), shall be due and payable on such Interest Payment Date. In respect of an Elective Deferred Coupon, the Issuer may give a Deferral Notice in its sole discretion and for any reason. A Deferral Notice as to interest due and payable on a Mandatory Coupon Date shall have no force or effect. Each Deferral Notice shall be given to the Trustee, the Paying Agents and the Securityholders.

(b) Deferred Coupons

Deferred Coupons in respect of which an effective Deferral Notice has been given (whether in respect of Exceptional Deferred Coupons or Elective Deferred Coupons) shall cease to be payable and all claims thereto will be irrevocably cancelled forthwith. If a Net Assets Deficiency Event occurs that also constitutes a Supervisory Event, the provisions of Condition 8(c) shall take effect, and the Issuer shall not deliver a Deferral Notice in respect of such event.

7. Dividend Stopper and Mandatory Coupons

(a) Dividend Stopper

The Guarantor has agreed in the Trust Deed and the Parent Company has agreed in the Deed Poll that, beginning on the day on which the Issuer gives a Deferral Notice and continuing until Coupons representing in aggregate one calendar year's interest have been paid in full since the date of the Deferral Notice: (A) the Guarantor (i) shall not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend or other payment in respect of its Junior Securities or Parity Securities and (ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or any securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition) and (B) the Parent Company (i) shall not declare or pay any dividend or other payment in respect of its Junior Securities or Parity Securities; (ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition) and (iii) shall not vote, and shall procure that no vote is cast by any of its Subsidiaries, in favour of any of the declarations, payments, redemptions, repurchases or acquisitions described in clauses (A)(i) and (ii) above; *provided that,* if less than the full amount of interest is paid on the Securities on any Interest Payment Date, the undertaking described in this Condition 7(a) will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Interest Payment Date and ending before the next succeeding Interest Payment Date.

The Guarantor has agreed in the Trust Deed and the Parent Company has agreed in the Deed Poll that the provisions of this Condition 7(a) will, after conversion of all (but not part) of the Securities into Conversion Upper Tier 2 Instruments in accordance with Conditions 8 (a) or (b), continue to

apply *mutatis mutandis* by reference to the deferral of interest payments due under the Conversion Upper Tier 2 Instruments.

The Guarantor has undertaken in the Trust Deed and the Parent Company has undertaken in the Deed Poll that neither of them will authorise, nor propose to their respective shareholders for authorisation, the issue of any Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee, unless such Junior Securities, Parity Shares of other securities, as the case may be, are subject to the terms of this Condition 7(a).

(b) Mandatory Coupons

If the Guarantor (A) pays any dividend or other payment in respect of any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition), then the interest due and payable on each Interest Payment Date occurring during the Relevant Period will be mandatorily due and payable on each such date (a ''Mandatory Coupon'' and a ''Mandatory Coupon Date'', respectively), notwithstanding any Deferral Notice as to such interest or the occurrence of any Net Assets Deficiency Event with respect to the Guarantor. In the case of any dividend or other payment in respect of any Set Rate Parity Securities, the interest payable on each related Mandatory Coupon Date shall be mandatorily payable in an amount that results in payment on such Mandatory Coupon Date of a proportion of the full interest amount on the Securities payable on the Interest Payment Date equal to the proportion that such dividend or other payment bears to a full dividend or other payment in respect of such Set Rate Parity Securities.

8. Redemption, Conversion and Purchase

The Securities have no final maturity date and may not be redeemed at the option of the Securityholders or at the option of the Issuer except in accordance with the provisions of this Condition 8.

(a) Redemption or Conversion for Tax Reasons

Upon the occurrence of a Tax Event, and subject to the conditions set forth in this Condition 8, the Issuer will have the right, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Securityholders (which shall be irrevocable) (i) in the case of the occurrence of an event described in Clause (B) of the definition of a Tax Event, at any time before the First Call Date, to redeem the Securities in whole (but not in part) at a redemption price equal to the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, (ii) in the case of the occurrence of an event described in Clause (A) of the definition of Tax Event, at any time, or, in the case of the occurrence of an event described in Clause (B) of the definition of Tax Event, on or after the First Call Date, to redeem the Securities in whole (but not in part) at the Base Redemption Price at any time prior to the First Call Date or on any Interest Payment Date falling on or after the First Call Date, or (iii) at any time, to convert the Securities in whole (but not in part) into Conversion Upper Tier 2 Instruments.

Any redemption or conversion pursuant to this Condition 8(a) is subject to compliance with applicable regulatory requirements, including the prior approval of the CBFA. No redemption or conversion pursuant to this Condition 8(a) will be permitted if, before such redemption or conversion, a Net Assets Deficiency Event has occurred and is continuing or if, as a result of giving effect to such redemption or conversion, a Net Assets Deficiency Event would occur.

(b) Tier 1 Disqualification Event

Upon the occurrence of a Tier 1 Disqualification Event, and subject to the conditions set forth in this Condition 8, the Issuer will have the right, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Securityholders (which shall be irrevocable), (i) at any time before the First Call Date, to redeem the Securities in whole (but not in part) at a redemption price equal to the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, (ii) on the First Call Date or any subsequent Interest Payment Date, to redeem the Securities in whole (but not in part) at the Base Redemption Price, or (iii) at any time, to convert the Securities in whole (but not in part) into Conversion Upper Tier 2 Instruments.

Any redemption or conversion pursuant to this Condition 8(b) is subject to compliance with applicable regulatory requirements, including the prior approval of the CBFA. No redemption or

conversion pursuant to this Condition 8(b) will be permitted if, before such redemption or conversion a Net Assets Deficiency Event has occurred and is continuing or if, as a result of giving effect to such redemption or conversion, a Net Assets Deficiency Event would occur.

(c) Mandatory Conversion

Upon the occurrence of a Supervisory Event or any event resulting in a general *concursus creditorum* on the assets of the Guarantor, the Securities will be converted into Conversion Profit-Sharing Certificates in consideration for a contribution in kind of the Securities to the Guarantor (''Mandatory Conversion''), on the Issuer's giving not less than 30 nor more than 60 days' notice to the Trustee and the Securityholders (which shall be irrevocable), having a total nominal value in Euros equal to the aggregate of (i) the aggregate principal amount of the Securities outstanding, (ii) accrued but unpaid interest, if any, with respect to the current Interest Period accrued on a daily basis to (but excluding) the date of the Mandatory Conversion, and (iii) Additional Amounts, if any (the ''Mandatory Conversion Amount'').

The conversion referred to in this Condition 8(c) will take place by virtue of these Conditions, without the need for further consent or action by the Securityholders. The issuance of the Conversion Profit-Sharing Certificates will be recorded by authentic deed made at the request of the board of directors of the Guarantor unless otherwise required by law.

Mandatory Conversion pursuant to this Condition 8(c) is not subject to the prior approval of the CBFA. The existence of a Net Assets Deficiency Event will not prevent a Mandatory Conversion pursuant to this Condition 8(c).

(d) Redemption at the Option of the Issuer

The Securities may be redeemed at the option of the Issuer, in whole (but not in part), on 15 June 2015 (the ''First Call Date'') or on any subsequent Interest Payment Date; *provided that* the Issuer will give notice to the Trustee and the Securityholders (which shall be irrevocable) not less than 60 days but not more than 90 days prior to any such redemption on the First Call Date, and not less than 30 days but not more than 60 days prior to any such redemption on any subsequent Interest Payment Date.

The redemption price for the Securities under this Condition 8(d) will be an amount equal to the aggregate of (i) the aggregate principal amount of the Securities outstanding, (ii) accrued but unpaid interest, if any, with respect to the then current Interest Period accrued on a daily basis to (but excluding) the date fixed for redemption, and (iii) Additional Amounts, if any (the ''Base Redemption Price'').

Any redemption pursuant to this Condition 8(d) is subject to compliance with applicable regulatory requirements, including the prior approval of the CBFA. No redemption pursuant to this Condition 8(d) will be permitted if, before such redemption, a Net Assets Deficiency Event has occurred and is continuing or if, as a result of giving effect to such redemption, a Net Assets Deficiency Event would occur.

(e) Compulsory Redemption

The Issuer shall (unless it has given notice to redeem the Securities in accordance with Condition 8(d)), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Securityholders (which shall be irrevocable), redeem all, but not some only, of the Securities at the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, if redeemed on or before the Interest Payment Date falling on 15 June 2015, or at the Base Redemption Price if redeemed after the Interest Payment Date falling on 15 June 2015, if the Parent Company and/or the Guarantor has terminated the Licence Agreement and, as of the termination date, the Licence Agreement has not been replaced by a new licence agreement with the Guarantor as licensee on, in the opinion of the Trustee (acting without liability on the advice of an independent financial or other expert adviser in forming such an opinion), substantially the same terms as the Licence Agreement, and the Guarantee has not, at the date of termination of the Licence Agreement, been assumed by a Substitute Guarantor (as defined in Condition 13(c)) in accordance with Condition 13(c).

The Trust Deed provides that the Trustee has no responsibility for monitoring whether or not an event falling within Condition 8(e) has occurred and, until it shall have actual knowledge or express

notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such event has occurred.

Any redemption pursuant to this Condition 8(e) is subject to compliance with applicable regulatory requirements, including the prior approval of the CBFA. No redemption pursuant to this Condition 8(e) will be permitted if, before such redemption, a Net Assets Deficiency Event has occurred and is continuing or if, as a result of giving effect to such redemption, a Net Assets Deficiency Event would occur.

(f) Redemption at the Direction of the Guarantor

With respect to redemptions under Conditions 8(a), 8(b) or 8(d), the Issuer has agreed in the Trust Deed that, without prejudice to the Issuer's right to to so at its own initiative, the Issuer shall exercise its rights to redeem the Securities if required by, and at the direction of, the Guarantor.

(g) Cancellation

All Securities which are repaid by the Issuer or the Guarantor will forthwith be cancelled (together in each case with all unmatured Coupons and unexchanged Talons attached thereto or delivered therewith) and accordingly may not be reissued or resold.

9. Payments

(a) Method of Payment

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent, subject in all cases to any applicable fiscal and other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10, by euro cheque or, at the option of the Securityholder or Couponholder, exercised by notice in writing to the Principal Paying Agent not less than 5 TARGET Business Days prior to the due date for any payment of principal or interest, by credit or transfer to a euro account (or any other account to which Euros may be credited or transferred). No commissions or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.

(b) Unmatured Coupons and Unexchanged Talons

Upon the date the Securities become due, Securities presented for payment must be presented together with all unmatured Coupons and unexchanged Talons relating thereto (whether or not attached) and unmatured Coupons and unexchanged Talons relating to the Securities (whether or not attached) shall become void and no payments shall be made in respect of such unmatured Coupons and no exchange shall be made in respect of such unexchanged Talons. If the date on which the Securities become due is not an Interest Payment Date, the interest accrued from the preceding Interest Payment Date (or the Issue Date, as the case may be) on any Security shall be payable only against surrender or endorsement (as the case may be) of such Security.

(c) Payments on Business Days

If the date for payment in respect of any Security is not a Business Day in the place of presentation of the relevant Security or Coupon, the holder thereof shall not be entitled to payment until the next such Business Day following such date, or to any interest or other payment in respect of such delay. In the case of payment by credit or transfer to a euro account as referred to above, the Issuer or the Guarantor, as the case may be, shall not be obliged to credit such account until the date, in the place of such account, on which banks are open for business next following the Business Day in the place of the specified office of the relevant Paying Agent to which the relevant Security or Coupon is presented for payment.

(d) Paying Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time, with the approval of the Trustee, to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents *provided that* they will at all times maintain (i) a Principal Paying Agent and Paying Agents having specified offices in at least two major European cities approved by the Trustee (including Luxembourg, so long as the Securities are listed on the Luxembourg Stock Exchange) and (ii) if European Council

Directive 2003/48 EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 is brought into force, a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents shall be given to the Securityholders in accordance with Condition 15.

(e) Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet in respect of a Security matures, the Talon comprised in such Coupon sheet may be surrendered at the specified office of any of the Paying Agents in exchange for a further Coupon sheet (including a further Talon) subject to the provisions of Condition 12; *provided that* the Issuer or the Guarantor, as the case may be, by notice to the Securityholders in accordance with Condition 15, at any time or from time to time may require any such exchange to be effected at the specified office(s) of one or more Paying Agents specified in such notice.

10. Taxation

All payments of principal and interest in respect of the Securities and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Luxembourg or Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (''Additional Amounts'') as will result in receipt by the Securityholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security or Coupon presented for payment:

(a) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security or Coupon by reason of his having some connection with Luxembourg or, in the case of payments made by the Guarantor, Belgium, other than the mere holding of the Security or Coupon;

(b) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Amounts on presenting such Security or Coupon for payment on the last day of such period of 30 days;

(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 or any other European Union 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) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security, Coupon or Talon to another Paying Agent in a Member State of the European Union.

11. Default and Enforcement

(a) Event of Default and Winding-Up

If the Issuer fails to pay any Mandatory Coupon (or if the Guarantor fails to pay any amount under the Guarantee in respect of any Mandatory Coupon) on the relevant Mandatory Coupon Date and such default continues for a period of 30 days, the Trustee at its discretion may, and if so instructed by Securityholders holding not less than one-quarter of the aggregate principal amount of the outstanding Securities or if so directed by an Extraordinary Resolution shall, subject in each case to its being indemnified and/or secured to its satisfaction, by written notice addressed to the Guarantor, institute proceedings to obtain payment of the amounts due and to institute proceedings in Luxembourg (but not elsewhere) in respect of the Issuer or in Belgium (but not elsewhere) in respect of the Guarantor for the winding-up, dissolution, bankruptcy, suspension of payments or judicial composition proceedings (*gestion contrôlée, concordat judiciaire* or *sursis de paiement*) of the Issuer or the Guarantor, as the case may be.

(b) Breach of Obligations

The Trustee may at its discretion institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer or the Guarantor under the Securities, the Coupons, the Talons, the Guarantee or the Trust Deed (other than as provided in Condition 11(a)); *provided that:*

(i) the Issuer or the Guarantor shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it; and

(ii) the Trustee shall not be obligated to institute proceedings unless it has been directed or requested to do so and indemnified and/or secured as described under Condition 11(a).

The proviso to this Condition 11(b) shall not apply to amounts due to the Trustee in its personal capacity under the Trust Deed.

(c) Other Remedies and Rights of Securityholders

No remedy against the Issuer or the Guarantor, other than the institution of the proceedings by the Trustee referred to in Conditions 11(a) and (b) or the proving or claiming in any winding-up, dissolution or judicial composition proceedings or bankruptcy of the Issuer or the Guarantor, shall be available to the Trustee, the Securityholders or the Couponholders whether for the recovery of amounts owing in respect of the Securities or the Coupons or in respect of any breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Securities, the Coupons, the Talons, the Guarantee or the Trust Deed; *provided that* the proviso to Condition 11(b) shall apply to this Condition 11(c) and includes reference to proving or claiming in the winding up, dissolution or judicial composition of the Issuer or the Guarantor. No Securityholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

12. Prescription

Claims against the Issuer or the Guarantor, as the case may be, for payment with respect to the Securities or Coupons shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the date on which such payment becomes due. Talons shall become void five years after the first date upon which they may be exchanged for Coupons.

There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to this Condition 12 or the claim for payment in respect of which would be void pursuant to this Condition.

13. Meetings of Securityholders, Modification and Substitution

(a) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by one or more Securityholders holding or representing not less than 10 per cent. in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a majority in principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Securities or the dates on which interest is payable in respect of the Securities, (ii) to reduce or cancel the principal amount of, or interest on, or to vary the method of calculating the rate of interest on, the Securities, (iii) to change the currency of payment of the Securities or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass an Extraordinary Resolution, or (v) to amend the status of the Securities or the Guarantee or otherwise modify or cancel the Guarantee, in which case the necessary quorum will be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they are present at the

meeting at which such resolution was passed) and on all Couponholders. The majority needed to pass any Extraordinary Resolution shall be at least 75 per cent. of the votes cast. The Trust Deed provides that a resolution in writing signed by or on behalf of holders of at least 75 per cent. of the aggregate principal amount of Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. The provisions of Articles 86 to 94-8 of the Luxembourg Company Law of 10 August 1915 shall not apply.

(b) Modification and Waiver

The Trustee may agree, without the consent of the Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which is (in the opinion of the Trustee) of a formal or minor nature or is made to correct a manifest error or an error proven to the satisfaction of the Trustee, and (ii) any other modification (except as provided in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Securityholders as soon as practicable.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Securityholders or the Couponholders (provided that Standard & Poor's and each other credit rating agency by which the Securities are then rated have confirmed in writing that such substitution will not result in a downgrading of the Securities by Standard & Poor's or such other credit rating agency), to the substitution of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor or guarantor (the ''Substitute Guarantor'') under the Trust Deed and the Securities. In the case of such a substitution the Trustee may agree, without the consent of the Securityholders or Couponholders, to a change of the law governing the Securities, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition), the Trustee shall have regard to the interests of the Securityholders as a class and shall not have regard to the consequences of such exercise for individual Securityholders or Couponholders and the Trustee shall not be entitled to require, nor individual Securityholders or Couponholders be entitled to claim from the Issuer or the Guarantor, any indemnification or payment in respect of any tax consequences of any such exercise upon an individual Securityholder or Couponholder.

(e) Obligations of clearing systems

The Trust Deed provides that no operator of, or depositary for, any clearing system in which any Security is held shall be obliged to take any action, in connection with the exercise or purported exercise of any right which a Securityholder or any person (including any accountholder with the relevant clearing system) having an interest in a Security may have or claim to have, against any of the Issuer, the Guarantor or the Trustee (other than, upon request by an accountholder, to confirm to that accountholder the principal amount of Securities credited to that accountholder's account).

14. Replacement of Securities, Coupons and Talons

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities, Coupons or Talons must be surrendered before replacements will be issued.

15. Notices

Notices to Securityholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and, so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and holders of Talons will be deemed for all purposes to have notice of the contents of any notice given to the Securityholders in accordance with this Condition.

16. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit. The Trustee may rely without liability to Securityholders on any certificate or report prepared by the Auditors pursuant to the Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the Auditor's liability in respect thereof is limited by a monetary cap or otherwise. Any such certificate shall be conclusive and binding on the Issuer, the Guarantor, the Trustee and the Securityholders.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any terms or conditions of the Securities under the Contracts (Rights of Third Parties) Act 1999.

18. Further Issues

The Issuer may from time to time without the consent of the Securityholders or Couponholders create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest thereon) and so that they shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or upon such terms as the Issuer may determine at the time of their issue. In these Conditions, unless the context otherwise requires, the references to the Securities shall include any further securities issued in accordance with this Condition and forming a single series with the Securities. Any further securities forming a single series with the outstanding securities of any series (including the Securities) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Securityholders and the holders of securities of other series where the Trustee so decides.

19. Governing Law and Submission to Jurisdiction

(a) Governing Law

Save as provided below, the Trust Deed, the Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law. Condition 4(b) of the Securities, however, is governed by, and shall be construed in accordance with, Belgian law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Securities, the Coupons, the Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Securities, the Coupons, the Talons or the Guarantee (''Proceedings'') may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Trustee and the Securityholders, Couponholders and holders of Talons and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

Each of the Issuer and the Guarantor has irrevocably appointed CRESTCo Limited at its registered office 33 Cannon Street, London EC4M 5SB as its agent in England to receive service of process in any Proceedings in England based on any of the Trust Deed, the Securities, the Coupons or the Talons.

TERMS AND CONDITIONS OF THE CONVERSION PROFIT-SHARING CERTIFICATES

The Conversion Profit-Sharing Certificates will be issued in certain circumstances set out in Condition 2(a) by Euroclear Bank SA/NV (the ''Bank''), pursuant to a resolution of the Bank's general shareholders meeting passed on 26 May 2005.

The Conversion Profit-Sharing Certificates will be the subject of an agency agreement dated 10 June 2005 (as amended or supplemented from time to time, the ''Agency Agreement'') between the Bank, JPMorgan Chase Bank, N.A., as fiscal agent and calculation agent (the ''Fiscal Agent'' and the ''Calculation Agent'', which expressions include any successor fiscal agent or calculation agent appointed from time to time in connection with the Conversion Profit-Sharing Certificates) and the paying agents named therein (together with the Fiscal Agent, the ''Paying Agents'', which expression includes any successor or additional paying agents appointed from time to time in connection with the Conversion Profit-Sharing Certificates). Certain provisions of these terms and conditions (the ''Conditions'') are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Conversion Profit-Sharing Certificates (the ''Holders of Conversion Profit-Sharing Certificates'' or the ''Holders'') and the holders of the related coupons (if any) evidencing distribution entitlements are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them and the by-laws of the Bank. Copies of the Agency Agreement are available for inspection by any interested person during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions

Terms used in these Conditions in relation to the Securities referred to below will have the meaning defined in the Terms and Conditions of those Securities. In addition, in these Conditions the following expressions have the following meanings:

''Additional Amounts'' shall have the meaning set out in Condition 7.

''Applicable Banking Regulations'' means at any time the capital adequacy regulations then in effect of the CBFA or other regulatory authority in Belgium (or, if the Bank becomes domiciled in a jurisdiction other than Belgium, such other jurisdiction) having primary bank supervisory authority with respect to the Bank.

''Bank Ordinary Shares'' means ordinary shares of the Bank or any ordinary share equivalent that may replace or be substituted for the ordinary shares of the Bank.

''Base Redemption Price'' shall have the meaning set out in Condition 8(e).

''CBFA'' means the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financière et des Assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*), together with any successor authority that administers the Applicable Banking Regulations.

''Deed Poll'' means the deed poll dated 10 June 2005 made by the Parent Company in favour of, *inter alios*, the Holders of the Conversion Profit-Sharing Certificates in relation to certain covenants.

''Distribution Date'' means a Fixed Distribution Payment Date or a Floating Distribution Payment Date, as defined in Conditions 4(b) and 4(c).

''Distribution Period'' means a Floating Distribution Period or a Fixed Distribution Period, as defined in Conditions 4(b) and 4(c).

''Dividend Deferral Notice'' shall have the meaning set out in Condition 4(e).

''Euro Interbank Offered Rate'' means, in respect of any period, the offered rate in the Euro-zone interbank market for euro deposits for such period, as determined by the Calculation Agent in accordance with the provisions of the Agency Agreement.

''Exchange Upper Tier 2 Instruments'' means instruments issued directly by the Bank constituting ''upper tier 2'' regulatory capital of the Bank on a solo basis under Applicable Banking Regulations having the same material terms as the Conversion Profit-Sharing Certificates, as determined by an independent investment bank appointed by and at the expense of the Bank, except that each such instrument will (i) be a perpetual security issued by the Bank with cumulative interest, (ii) rank *pari passu* with any other ''upper tier 2'' capital securities issued by the Bank, (iii) not be redeemable

upon a Tier 1 Disqualification Event, and (iv) be subject to such terms and conditions as may be required under the Applicable Banking Regulations to be capable of constituting ''upper tier 2'' regulatory capital of the Bank on a solo basis. For the avoidance of doubt, with respect to the Conversion Profit-Sharing Certificates, any distribution entitlements outstanding but not yet declared at the time of exchange into Exchange Upper Tier 2 Instruments shall become outstanding cumulative interest payments for the purposes of the Exchange Upper Tier 2 Instruments. The terms of such Exchange Upper Tier 2 Instruments will be documented by the Bank and may be reflected in one or more agency agreements or in an agency agreement supplemental to the Agency Agreement, without the consent of the Holders of Conversion Profit-Sharing Certificates, at the time of exchange.

''First Call Date'' shall have the meaning set out in Condition 8(c).

''Fixed Distribution Payment Date'' shall have the meaning set out in Condition 4(b).

''Fixed Distribution Period'' shall have the meaning set out in Condition 4(b).

''Floating Distribution Payment Date'' shall have the meaning set out in Condition 4(c).

''Floating Distribution Period'' shall have the meaning set out in Condition 4(c).

''Floating Distribution Rate'' shall have the meaning set out in Condition 4(c).

''Junior Securities'' means, with respect to the Bank or the Parent Company, as the case may be, (i) Bank Ordinary Shares or the Parent Company Ordinary Shares, (ii) profit-sharing certificates (*parts bénéficiaires/winstbewijzen*) of the Bank or the Parent Company ranking junior to the Parity Securities of the Bank or the Parent Company, as the case may be, or (iii) any other securities or obligations of the Bank or the Parent Company ranking or expressed to rank junior to the Parity Securities of the Bank or the Parent Company, as the case may be, issued directly by the Bank or the Parent Company (together with such securities as are mentioned in (i) and (ii), ''Junior Shares'') and (iv) any other securities or obligations of the Bank or the Parent Company ranking or expressed to rank junior to the Parity Securities of the Bank or the Parent Company, as the case may be and issued by any subsidiary of the Bank or the Parent Company benefiting from a guarantee or support agreement from the Bank or the Parent Company ranking or expressed to rank junior to the Conversion Profit-Sharing Certificates (''Junior Guarantees'').

''Make-Whole Price'' shall have the meaning set out in Condition 8(e).

''Mandatory Distribution'' means a distribution on the Conversion Profit-Sharing Certificates which is mandatorily payable pursuant to Condition 6.

''Net Assets'' means (subject to any change in Article 617 of the Belgian Company Code that may occur after the date of issuance of the Conversion Profit-Sharing Certificates) the total assets of the Bank as they appear in the non-consolidated balance sheet of the Bank after deduction of provisions, debts (including for the avoidance of doubt, the Conversion Profit-Sharing Certificates), formation expenses not yet written off and research and development costs not yet written off.

''Net Assets Deficiency Event'' means (a) a decline in the Net Assets of the Bank to below the sum of its paid-in capital (or called-up capital if the latter is bigger) and non-distributable reserves, as determined in accordance with Article 617 of the Belgian Companies Code in relation to the distribution of dividends, or (b) a decline in the amount of total regulatory capital (*fonds propres/ eigen vermogen*) of the Bank on a solo or consolidated basis to below the minimum amount required by solvency requirements for credit institutions as provided by the current and future European banking regulations and Basel guidelines, as currently implemented by Article 82 §1,3º of the Decree of 5 December 1995 of the CBFA on the regulation of the own funds of the credit institutions (the ''1995 Decree''). For the purposes hereof, references to the 1995 Decree and the provisions thereof will be deemed to refer to the same as may be amended from time to time or replaced by other laws, regulations or provisions.

''Parent Company'' means Euroclear plc.

''Parent Company Ordinary Shares'' means ordinary shares of the Parent Company or any ordinary share equivalent that may replace or be substituted for the ordinary shares of the Parent Company.

''Parity Securities'' means, with respect to the Bank or the Parent Company, as the case may be, (i) the most senior ranking preferred or preference shares or profit-sharing certificates (*parts bénéficiaires/winstbewijzen*) (''Parity Shares'') of the Bank or the Parent Company, if any, and (ii)

guarantees by the Bank or the Parent Company (whether through an agreement or instrument labelled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of preferred securities or preferred or preference shares issued by any of the Bank's or the Parent Company's respective subsidiaries, effectively ranking or expressed to rank *pari passu* with the Bank's or the Parent Company's respective Parity Shares (''Parity Guarantees''), if any.

''Permitted Share Acquisition'' means an acquisition of Junior Securities, Parity Shares or other securities benefiting from a Parity Guarantee (i) by simultaneous replacement with other Junior Securities, Parity Shares or other such securities, as the case may be, of the same aggregate principal amount and the same or lower ranking, (ii) in connection with transactions effected for the account of customers of the Bank or any of its subsidiaries or in connection with the distribution, trading or market-making in respect of such securities, or (iii) in connection with the satisfaction by the Bank or the Parent Company or any of the Parent Company's Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants. For the avoidance of doubt, Set Rate Parity Securities may be replaced with new Set Rate Parity Securities, in accordance with (i) above, but Parity Securities that are not Set Rate Parity Securities may not be replaced by Set Rate Parity Securities.

''Relevant Date'' shall have the meaning set out in Condition 7.

''Relevant Period'' shall have the meaning set out in Condition 6(c).

''Relevant Tax'' shall have the meaning set out in Condition 7.

''Securities'' means the €300,000,000 Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities issued by Euroclear Finance 2 SA and guaranteed by the Bank on or about 10 June 2005.

''Set Rate Parity Securities'' means Parity Securities carrying a right to a set level of distribution (whether by reference to a fixed or floating rate or otherwise), as opposed to a right to a distribution the amount of which, subject to the availability of profits, is not set by reference to a fixed or floating rate or otherwise.

''Subsidiary'' in relation to the Parent Company, shall have the meaning given in Section 736 of the Companies Act 1985.

''TARGET'' means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.

''TARGET Business Day'' means a day on which TARGET is operating.

''Tier 1 Disqualification Event'' shall have the meaning set out in Condition 8(d).

2. Issuance of the Conversion Profit-Sharing Certificates

(a) Circumstances

The Conversion Profit-Sharing Certificates will be issued upon the occurrence of a Supervisory Event or any event resulting in a general *concursus creditorum* on the assets of the Bank, on the Bank giving not less than 30 nor more than 60 days' notice to the holders of Securities in accordance with Condition 15 of the Securities.

For the purposes of the foregoing, a ''Supervisory Event'' will be deemed to occur if (i) the amount of total regulatory capital (*fonds propres/eigen vermogen*) of the Bank on a solo or consolidated basis falls below the minimum amount required by solvency requirements for credit institutions as provided by the current and future European banking regulations and Basel guidelines, as currently implemented by Article 82 §1,3º of the Decree of 5 December 1995 of the CBFA on the regulation of the own funds of the credit institutions (the ''1995 Decree''), (ii) the amount of tier 1 capital (*fonds propres sensu stricto/eigen vermogen sensu stricto*) of the Bank on a solo or consolidated basis declines below 5/8 of the amount of total regulatory capital as required from time to time by Article 82 § 1,3º of the 1995 Decree, (iii) Article 633 of the Belgian Companies Code becomes applicable by virtue of the Bank's Net Assets declining to less than 50 per cent. of its corporate capital, (iv) Article 23 of the Belgian law of 22 March 1993 on the status and supervision of credit institutions (the ''Law of 22 March 1993'') applies by virtue of the Bank's capital falling below the amount mentioned in Article 16 of the Law of 22 March 1993 (which is currently fixed at €6.2 million) or (v) at the discretion of the CBFA, Article 57 §1 of the Law of 22 March 1993 becomes applicable due to

the special measures imposed by the CBFA in application thereof. For the purposes hereof, references to the 1995 Decree, the Law of 22 March 1993 and, in each case, the provisions thereof will be deemed to refer to the same as may be amended from time to time or replaced by other laws, regulations or provisions.

(b) Consideration

The Conversion Profit-Sharing Certificates will be issued in consideration for the contribution in kind to the Bank of the outstanding Securities and all outstanding rights attached thereto.

(c) Amount

The Conversion Profit-Sharing Certificates will be issued with a total nominal value in Euros equal to the sum of (i) the aggregate principal amount of the outstanding Securities, (ii) accrued but unpaid interest, if any, with respect to the current Interest Period accrued on a daily basis to (but excluding) the date of the Mandatory Conversion and (iii) Additional Amounts, if any.

(d) Powers

The contribution referred to in Condition 2(b) will take place by virtue of the terms and conditions of the Securities, without the need for further consent or action by the Securityholders. The issuance of the Conversion Profit-Sharing Certificates will be recorded by authentic deed made at the request of the board of directors of the Bank, unless otherwise required by law.

3. Nature, Denomination, Form and Status

(a) Nature

The Conversion Profit-Sharing Certificates constitute *parts bénéficiaires/winstbewijzen* as described under Article 483 of the Belgian Companies Code.

(b) Denomination

The denomination of each Conversion Profit-Sharing Certificate is equal to the total nominal value issued in accordance with Condition 2(c), divided by the number of outstanding Securities contributed in consideration for their issuance. The denomination of the Conversion Profit-Sharing Certificates will be expressed in Euros.

(c) Form

The board of directors or executive committee of the Bank may determine that Conversion Profit-Sharing Certificates will be issued in registered form or in the form of a global bearer certificate, in either case capable of being cleared through CIK (*Caisse interprofessionnelle de dépôts et de virements de titres/Interprofessionele effectendeposito- en girokas*), Euroclear and/or Clearstream, Luxembourg or their respective successors. If the Conversion Profit Sharing Certificates are to be issued in registered form, the Bank shall procure that the register shall be kept in respect of them.

(d) Status

The Conversion Profit-Sharing Certificates constitute direct, unsecured and subordinated obligations of the Bank and will rank at all times *pari passu* and without any preference among themselves. In the event of a general *concursus creditorum* (*concours des créanciers/samenloop van schuldeisers*) on the entire assets of the Bank, the rights of the Holders of Conversion Profit-Sharing Certificates will rank behind those of all creditors of the Bank, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of the Bank), and their payment will be subject to the condition precedent that all such creditors of the Bank will have been paid in full. The Conversion Profit-Sharing Certificates will rank equally with the Parity Securities of the Bank and will rank ahead of the Junior Securities of the Bank. In a liquidation of the Bank, the Holders of Conversion Profit-Sharing Certificates will be entitled to the repayment of the nominal value of the Conversion Profit-Sharing Certificates, subject to the above ranking provisions, but will not be entitled to share in further liquidation proceeds of the Bank.

4. Distributions

(a) Conditional entitlement

The Holders of Conversion Profit-Sharing Certificates are entitled to the distributions set out in this Condition 4, subject only to the availability of distributable profits in accordance with Article 617 of the Belgian Companies Code and to the condition set out in Condition 4(e). Those distributions will be made in priority to any distribution on the Junior Securities of the Bank. Distributions will be calculated and paid in Euros.

(b) Fixed distributions

If the Conversion Profit-Sharing Certificates are issued before 15 June 2015, the distribution entitlement until (but excluding) that date will be calculated at the rate of 4.235 per cent. per annum on their nominal amount, payable in arrear on 15 June in each year (each, a ''Fixed Distribution Payment Date''). On the first Fixed Distribution Payment Date following the date of issue of the Conversion Profit-Sharing Certificates, the amount of the distribution will be calculated *pro rata temporis*; *provided that* no distribution will accrue on that first Fixed Distribution Payment Date on the part of the nominal value of the Conversion Profit-Sharing Certificates which is referred to in item (ii) of Condition 2(c). For the purposes hereof and of Condition 8(e), *pro rata* accruals will be calculated on the basis of the actual number of days elapsed and the actual number of days in the Fixed Distribution Period. ''Fixed Distribution Period'' means each period from (and including) the issue date of the Conversion Profit-Sharing Certificates or any Fixed Distribution Payment Date to (but excluding) the next Fixed Distribution Payment Date.

(c) Floating distributions

After 15 June 2015, the distribution entitlement will be calculated at the Floating Distribution Rate and will be payable quarterly in arrear on 15 March, 15 June, 15 September and 15 December in each year (each, a ''Floating Distribution Payment Date''). If any Floating Distribution Payment Date would otherwise fall on a date which is not a TARGET Business Day, it will be postponed to the next TARGET Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding TARGET Business Day. Each period beginning on (and including) 15 June 2015 or the issue date of the Conversion Profit-Sharing Certificates (whichever is later) or any Floating Distribution Payment Date and ending on (but excluding) the next Floating Distribution Payment Date is herein called a ''Floating Distribution Period''.

The floating distribution rate from time to time in respect of the Conversion Profit-Sharing Certificates (the ''Floating Distribution Rate'') will be determined by the Calculation Agent on the following basis:

(1) On the second TARGET Business Day before the beginning of each Floating Distribution Period (the ''Distribution Determination Date''), the Calculation Agent will determine the offered rate for three-month Euro deposits for the Floating Distribution Period concerned as at 11.00 a.m. (Central European Time) on the Distribution Determination Date in question. Such offered rate will be that which appears on the display designated as page ''248'' on the Telerate Service (or such other page or service as may replace it for the purpose of displaying Euro-zone interbank offered rates of major banks for three-month Euro deposits). The Floating Distribution Rate for such Floating Distribution Period shall be the aggregate of 1.83 per cent. per annum and the rate which so appears, as determined by the Calculation Agent.

(2) If the offered rate so appearing is replaced by the corresponding rates of more than one bank, then Condition 4(c)(1) shall be applied, with any necessary consequential changes, to the arithmetic mean (rounded, if necessary, up to the nearest 1/16 per cent.) of the rates (being at least two) which so appear, as determined by the Calculation Agent. If for any reason such offered rates do not so appear, or if the relevant page is unavailable, the Calculation Agent will request each of the banks whose offered rates would have been used for the purposes of the relevant page if the event leading to the application of this Condition 4(c)(2) had not happened or any duly appointed substitute reference bank, acting in each case through its principal Euro-zone office (each a ''Reference Bank''), to provide the Calculation Agent with its offered quotation to leading banks for three-month Euro deposits in the Euro-zone for the Floating Distribution Period concerned as at 11.00 a.m. (Central European Time) on the Distribution Determination Date in question. The Floating Distribution Rate for such Floating Distribution Period shall be the aggregate of 1.83 per cent. per annum and the

arithmetic mean (rounded, if necessary, up to the nearest 1/16 per cent.) of such quotations (or of such of them, being at least two, as are so provided), as determined by the Calculation Agent.

(3) If on any Distribution Determination Date such offered rate does not so appear on page ''248'' on the Telerate Service (or such other page or service as aforesaid) and the Calculation Agent is not able to obtain quotations from two or more Reference Banks, the Floating Distribution Rate shall be the Floating Distribution Rate in effect for the last preceding Floating Distribution Period to which one of Conditions 4(c) (1), (2) or (3), shall have applied.

If the Conversion Profit-Sharing Certificates are issued after 15 June 2015, then, for the first Floating Distribution Period following the date of issue, the amount of the distribution will be calculated *pro rata temporis*; *provided that* no distribution will accrue on that first Floating Distribution Payment Date on the part of the nominal value of the Conversion Profit-Sharing Certificates which is referred to in item (ii) of Condition 2(c) and, unless the Conversion Profit-Sharing Certificates were issued on a Floating Distribution Payment Date, the Floating Distribution Rate will be the same as the Floating Rate of Interest applicable to the Securities at the time of issuance of the Conversion Profit-Sharing Certificates. For the purposes hereof and of Condition 8(e), *pro rata* accruals will be calculated on the basis of the actual number of days elapsed in the Floating Distribution Period and a year of 360 days.

(d) Calculations and notification

The amount of distribution payable on each Floating Distribution Payment Date will be calculated by the Calculation Agent, and such amount and each Floating Distribution Rate will be notified by the Calculation Agent, in accordance with the provisions of the Agency Agreement and notified by the Calculation Agent, as soon as practicable after such determination, to each listing authority, stock exchange and/or quotation system (if any) by which the Conversion Profit-Sharing Certificates have been admitted to listing, trading and/or quotation.

(e) Net assets deficiency

If, and to the extent that, before or as a result of paying any distribution on the Conversion Profit-Sharing Certificates, a Net Assets Deficiency Event has occurred and is continuing or would occur with respect to the Bank, the Bank will not declare or pay any such distribution (subject to Condition 6) and shall, not later than 10 TARGET Business Days prior to the relevant Distribution Date, give notice (a ''Dividend Deferral Notice'') thereof.

(f) Distributions not cumulative

Any distribution missed by reason of the application of Condition 4(e) or of insufficiency of distributable profits in accordance with Article 617 of the Belgian Companies Code will be definitively forgone, and the Holders of Conversion Profit-Sharing Certificates will not be entitled to any carry forward of such missed distribution.

5. Dividend Stopper and Undertaking

(a) Bank

If a full distribution has not been paid on the Conversion Profit-Sharing Certificates on any Distribution Date, then the Bank shall, for a period of 12 months after such Distribution Date, (i) not propose to its shareholders and, to the fullest extent permitted by applicable law, otherwise act to prevent the declaration or payment of any dividend or other payment in respect of its Junior Securities or Parity Securities and (ii) not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition).

(b) Parent Company

The Parent Company has agreed in the Deed Poll that, if a full distribution has not been paid on the Conversion Profit-Sharing Certificates on any Distribution Date, then for a period of 12 months after such Distribution Date (A) it (i) shall not declare or pay any dividend or other payment in respect of its Junior Securities or Parity Securities, and (ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition), and (B) it will not vote,

and shall procure that no vote is cast by any of its Subsidiaries, in favour of any of the actions of the Bank described in Condition 5(a).

(c) Partial distributions

If a partial distribution is paid on the Conversion Profit-Sharing Certificates on any Distribution Date, Conditions 5(a) and 5(b) will not prevent the distribution of a partial dividend by the Bank or the Parent Company, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Distribution Date and ending before the next succeeding Distribution Date. For the avoidance of doubt, any part of any accrued and unpaid interest otherwise due in respect of Securities and forming part of the aggregate nominal amount of the Conversion Profit-Sharing Certificates on issue shall not represent a corresponding part of the distribution which has not been paid on the Conversion Profit-Sharing Certificates.

(d) Exchange Upper Tier 2 Instruments

The Bank agrees and the Parent Company has agreed in the Deed Poll that the provisions hereof relating to the dividend stopper described in this Condition 5 will, after the conversion of all (but not part) of the Conversion Profit-Sharing Certificates into Exchange Upper Tier 2 Instruments in accordance with Condition 8(d), continue to apply *mutatis mutandis* by reference to the deferral of interest payments due under the Exchange Upper Tier 2 Instruments.

(e) Undertakings

The Bank undertakes and the Parent Company has undertaken in the Deed Poll that neither of them will authorise, nor propose to their respective shareholders for authorisation, the issue of any Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee unless such Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee, as the case may be, are subject to the terms of this Condition 5.

The Bank undertakes to use its best endeavours to procure and thereafter maintain a listing of the Conversion Profit-Sharing Certificates on an EU-regulated exchange as soon as practicable after their issue.

6. Mandatory Distributions

(a) Circumstances

Notwithstanding Condition 4(e), but subject always to the availability of distributable profits in accordance with Article 617 of the Belgian Companies Code at the time of the declaration of the Distribution, if the Bank (A) pays any dividend or other payment in respect of any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition), then the distributions payable on each Distribution Date occurring during the Relevant Period (as defined below) will be mandatorily payable on each such date.

(b) Partial distributions

If a partial distribution is paid on any Set Rate Parity Securities, Condition 6(a) will only render mandatory the payment of a partial distribution, in the same proportion, on the Conversion Profit-Sharing Certificates during the Relevant Period.

(c) Relevant Period

For the purposes of the foregoing, ''Relevant Period'' means:

(i) for any Relevant Period commencing on or before 15 June 2015, one year; *provided that*, if such Relevant Period commences after 15 June 2014, it will end on and include 15 June 2015; and

(ii) for any Relevant Period commencing after 15 June 2015:

(1) one year, in the case of (A) any dividend or other payment in respect of Junior Securities or Parity Securities that have annual scheduled payments or have no scheduled payment dates, or (B) any redemption, repurchase or other acquisition of Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee,

(2) six months, in the case of any dividend or other payment in respect of Junior Securities or Parity Securities that have semi-annual scheduled payments, and

(3) three months, in the case of any dividend or other payment in respect of Junior Securities or Parity Securities that have quarterly (or more frequent) scheduled payments,

provided in each case that such Relevant Period (unless it commences after 15 June 2014 and ends on and includes 15 June 2015) will commence on and include the day of the relevant dividend or redemption, repurchase or other acquisition but will not include the corresponding day of the third, sixth or twelfth month thereafter, as the case may be.

7. Taxation

All distribution payments in respect of the Conversion Profit-Sharing Certificates by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges (the ''Relevant Tax'') is required by law. In that event, the Bank will pay such additional amounts (the ''Additional Amounts'') as will result in receipt by the Holders of Conversion Profit-Sharing Certificates after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts will be payable in respect of any Conversion Profit-Sharing Certificate:

(a) held or presented for payment by or on behalf of a Holder who is liable to such Relevant Tax solely by reason of his having some connection with the Kingdom of Belgium other than the mere holding of the Conversion Profit-Sharing Certificate; or

(b) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Conversion Profit-Sharing Certificate would have been able to avoid such Relevant Tax by presenting such Conversion Profit-Sharing Certificate for payment on the last day of such period of 30 days.

In these Conditions, ''Relevant Date'' means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent 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 Holders of Conversion Profit-Sharing Certificates.

Any reference in these Conditions to distributions will be deemed to include any Additional Amounts which may be payable under this Condition 7.

8. Redemption

(a) No fixed redemption date

The Conversion Profit-Sharing Certificates do not have a fixed redemption date.

(b) No redemption at the option of the Holders

The Conversion Profit-Sharing Certificates are not redeemable at the option of the Holders.

(c) Redemption at the option of the Bank

The Conversion Profit-Sharing Certificates may be redeemed at the option of the Bank, in whole (but not in part), on 15 June 2015 (the ''First Call Date'') or on any subsequent Distribution Date at the Base Redemption Price; *provided that* the Bank will give notice in accordance with Condition 14 (which shall be irrevocable) to the Holders of Conversion Profit-Sharing Certificates not less than 60 days but not more than 90 days prior to any such redemption on the First Call Date and not less than 30 days but not more than 60 days prior to any such redemption on any subsequent Distribution Date.

(d) Redemption upon Tier 1 Disqualification Event

Upon the occurrence of a Tier 1 Disqualification Event, the Bank will have the right by giving not less than 30 nor more than 60 days' notice to the Holders of Conversion Profit-Sharing Certificates

in accordance with Condition 14 (which shall be irrevocable), (i) at any time before the First Call Date, to redeem the Conversion Profit-Sharing Certificates in whole (but not in part) at a redemption price equal to the greater of (x) the Make-Whole Price and (y) the Base Redemption Price, (ii) on the First Call Date or on any subsequent Distribution Date, to redeem the Conversion Profit-Sharing Certificates in whole (but not in part) at the Base Redemption Price, or (iii) at any time, to convert the Conversion Profit-Sharing Certificates in whole (but not in part) into Exchange Upper Tier 2 Instruments. For the purposes of the foregoing, ''Tier 1 Disqualification Event'' means the receipt by the Bank of an opinion or declaration, rule or decree of the CBFA to the effect that there has been either (i) a change in law or regulation or (ii) a change in the official interpretation thereof, resulting in the Conversion Profit-Sharing Certificates (or any portion thereof) no longer being capable of constituting tier 1 capital of the Bank on a solo basis or no longer being capable of constituting tier 1 capital of the Bank on a consolidated basis, in either case, under Applicable Banking Regulations.

(e) Redemption price

For the purposes of the foregoing, ''Base Redemption Price'' means an amount equal to the aggregate of (i) the aggregate nominal value of the Conversion Profit-Sharing Certificates and (ii) an amount equal to *pro rata* unpaid distributions, if any, with respect to the current Distribution Period accrued up to the date fixed for redemption, and (iii) Additional Amounts, if any, in accordance with Condition 7; and ''Make-Whole Price'' means the price determined by the Calculation Agent, which is calculated by discounting at a rate of the Bund Yield plus 0.25 per cent., the nominal amount and distributions that are due after the value date for which the redemption has been exercised up to and including the First Call Date (assuming full payment of each and redemption of the Conversion Profit-Sharing Certificates in whole thereon). For this purpose, the Bund Yield shall be the offer yield, as determined by the Calculation Agent, on the second day on which the TARGET System is operating before the relevant date for redemption, on an annual Actual/Actual basis, of the ''on the run'' German government bond that is displayed on the Bloomberg German Government Pricing Monitor for reference Bund bonds, page PXGB (or such other page or service as may replace it for the purpose of displaying reference Bund bonds), and that has a maturity closest to the First Call Date. The Base Redemption Price and the Make-Whole Price will be expressed in Euros.

(f) Conditions and procedure

Any redemption or exchange of Conversion Profit-Sharing Certificates is subject to compliance with all applicable regulatory requirements, including the prior approval of the CBFA. In any event, no redemption of Conversion Profit-Sharing Certificates will be permitted if, before or as a result of paying any distribution (including such redemption or exchange) on the Conversion Profit-Sharing Certificates, a Net Assets Deficiency Event has occurred and is continuing or would occur with respect to the Bank. Any redemption of Conversion Profit-Sharing Certificates will further be subject to the conditions and procedures set out in Articles 612, 613 and 620 of the Belgian Companies Code; for the avoidance of doubt, any redemption or exchange effected in accordance with this Condition 8 will not constitute a modification of the respective rights of the Holders of Conversion Profit-Sharing Certificates compared to the rights of the holders of any shares or other profit-sharing certificates of the Bank for the purposes of Article 560 of the Belgian Companies Code, and the Holders of Conversion Profit-Sharing Certificates will not be entitled to vote on any decision made in accordance with Articles 612 and 620 of the Belgian Companies Code.

(g) No further rights

Upon redemption of the Conversion Profit-Sharing Certificates, their Holders will cease to be entitled to any subsequent distribution or other rights.

9. Voting and Preference Rights

(a) Voting rights

The Holders of Conversion Profit-Sharing Certificates will have no voting rights, save in the cases mandatorily provided for by the Belgian Companies Code. They will not be entitled to attend shareholders meetings, save when they are entitled to vote.

(b) Preference rights

The Holders of Conversion Profit-Sharing Certificates will have no preference rights in respect of any subsequent issuance of shares, profit-sharing certificates (*parts bénéficiaires/winstbewijzen*) or other securities by the Bank.

10. Reduction by Way of Absorption of Losses

The reserve constituted by contributions made in consideration for the issuance of the Conversion Profit-Sharing Certificates may only be reduced in accordance with Articles 612 to 614 of the Belgian Companies Code. This reserve may be reduced by way of absorption of losses in accordance with Article 614 of the Belgian Companies Code. However, the entitlement of the Holders of Conversion Profit-Sharing Certificates to distributions in accordance with these Conditions will continue irrespective of any such reduction even if it results in the cancellation of the entire reserve representing the Conversion Profit-Sharing Certificates.

11. Amendments

These Conditions may be amended without the consent of the Holders of Conversion Profit-Sharing Certificates to correct a manifest error. The rights attached to the Conversion Profit-Sharing Certificates and these Conditions may be amended in accordance with the rules applicable to modifications to the by-laws of the Bank, taking into account Article 560 of the Belgian Companies Code if applicable. The parties to the Agency Agreement may agree to modify any provision thereof, but the Bank will not agree, without the consent of the Holders of Conversion Profit-Sharing Certificates granted in a general meeting with the same conditions of quorum and majority as those required for modifications to the statutes, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders of Conversion Profit-Sharing Certificates.

12. Transferability

The transferability of Conversion Profit-Sharing Certificates is subject to the provisions of Article 508 of the Belgian Companies Code (which provides that: ''Profit-sharing certificates ... are transferable from the tenth day after the filing of the second annual accounts that follows their issuance. Until the end of that period their transfer may only be operated by public deed or by written agreement, notified to the company within a month of the transfer, all this under sanction of nullity –. The nullity may only be invoked by the purchaser''), to the extent applicable.

In accordance with Articles 463, 465 and 508 of the Belgian Companies Code, the register of Conversion Profit-Sharing Certificates, any certificates evidencing inscriptions in the register of Conversion Profit-Sharing Certificates, and any certificate of deposit (*depositobewijs/certificat de dépôt*) in respect of Conversion Profit-Sharing Certificates in bearer form shall mention the transferability conditions set out in this Condition 12.

13. Further Issues

The Bank may from time to time, without the consent of the Holders of Conversion Profit-Sharing Certificates, unless required by applicable law, create and issue further securities having the same terms and conditions as the Conversion Profit-Sharing Certificates in all respects (or in all respects except for the first distribution) so as to form a single series with the Conversion Profit-Sharing Certificates.

14. Notices

Without prejudice to the applicable provisions of the Belgian Companies Code, notices to the Holders of Conversion Profit-Sharing Certificates will be published in a leading English newspaper in London (which is expected to be the *Financial Times*) and, so long as the Conversion Profit-Sharing Certificates are listed on the Luxembourg Stock Exchange and its rules so require, a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*). If and so long as the Conversion Profit-Sharing Certificates are deposited with a settlement system, notices may also be published through such system. Any such notice will be deemed to have been given on the date of first publication.

15. Governing Law and Jurisdiction

The Conversion Profit-Sharing Certificates will be governed by and construed in accordance with Belgian law. Any dispute in connection therewith will be subject to the exclusive jurisdiction of the courts of the jurisdiction in which the Bank has its registered office.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

The Temporary Global Security and the Global Security contain provisions which apply to the Securities while they are in global form, some of which modify the effect of the terms and conditions of the Securities set out in this document. The following is a summary of certain of those provisions:

1. Exchange

The Temporary Global Security is exchangeable in whole or in part for interests in the Global Security on or after a date which is expected to be 20 July 2005 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. The Global Security is exchangeable in whole but not in part (free of charge to the holder) for the definitive Securities described below (i) if the Global Security is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) if the Issuer would suffer a material disadvantage in respect of the Securities as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 10 which would not be suffered were the Securities in definitive form and a certificate to such effect signed by two Directors of the Issuer is delivered to the Trustee. Thereupon (in the case of (i) above) the holder may give notice to the Trustee, and (in the case of (ii) above) the Issuer may give notice to the Trustee and the Securityholders, of its intention to exchange the Global Security for definitive Securities on or after the Exchange Date specified in the notice.

On or after the Exchange Date (as defined below) the holder of the Global Security may surrender the Global Security to or to the order of the Principal Paying Agent. In exchange for the Global Security, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Securities (having attached to them all Coupons and a Talon in respect of interest which has not already been paid on the Global Security), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant definitive Securities.

''Exchange Date'' means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

2. Payments

No payment will be made on the Temporary Global Security unless exchange for an interest in the Global Security is improperly withheld or refused. Payments of principal and interest in respect of Securities represented by the Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Security, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Securities. If a Global Security is held on behalf of Euroclear, Clearstream, Luxembourg or an alternative clearing system, payments of principal and interest to the Securityholders shall be made in accordance with the rules and regulations of Euroclear, Clearstream, Luxembourg or, as the case may be, the alternative clearing system.

3. Notices

So long as the Securities are represented by the Global Security and the Global Security is held on behalf of a clearing system, notices to Securityholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that, so long as the Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *d'Wort*).

4. Prescription

Claims against the Issuer in respect of principal and interest on the Securities while the Securities are represented by the Global Security will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 1).

5. Meetings

The holder of the Global Security will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Securityholders and, at any such meeting, as having one vote in respect of each Security for which the Global Security may be exchanged.

6. Purchase and Cancellation

Cancellation of any Security required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Security.

7. Trustee's Powers

In considering the interests of Securityholders while the Global Security is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Security and may consider such interests as if such accountholders were the holder of the Global Security.

USE OF PROCEEDS

The net proceeds of the issue of the Securities, expected to amount to €298,350,000, will be used to provide the Guarantor with tier 1 capital (*fonds propres sensu stricto/eigen vermogen sensu stricto*) on a consolidated basis for capital adequacy purposes.

INVESTMENT CONSIDERATIONS

Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular.

Risks Associated with the Nature of the Securities

As it is intended that the proceeds of the Securities will constitute tier 1 capital (*fonds propres sensu stricto/eigen vermogen sensu stricto*) of Euroclear Bank on a consolidated basis for capital adequacy purposes, such proceeds will be available to absorb losses of Euroclear Bank. Such loss absorption could result in adverse consequences for Securityholders, including non-payment of interest on the Securities.

Dependence on Euroclear Bank's Financial Condition

An investment in the Securities will have similar economic risks to an investment in non-cumulative perpetual securities issued directly by Euroclear Bank having the same liquidation preference and rate of distribution as the Securities. The Issuer is a newly-established limited company with no previous operating history or revenues. It is expected that the Issuer's sole source of funds to make the interest payments on the Securities will be interest payments which the Issuer receives on the securities of Euroclear Bank that the Issuer will be subscribing for with the proceeds of the Securities. The Securities are guaranteed on a subordinated basis by Euroclear Bank pursuant to the terms of the Guarantee. Accordingly, if Euroclear Bank's financial condition were to deteriorate, the Securityholders may suffer direct and materially adverse consequences, including non-payment of interest on the Securities or of payments under the Guarantee.

Deferral of Interest Payments and Interest not Cumulative

In certain circumstances, the Issuer may, subject to the imposition of a dividend and capital payments stopper on both the Guarantor and the Parent Company, elect to defer payment of interest on the Securities. If the Issuer does defer the payment of any interest on the Securities, that interest will cease to be payable and all claims thereto will be irrevocably cancelled forthwith. Interest payable on the Securities is not cumulative.

Perpetual Nature of the Securities

The Securities have no fixed final redemption date and Securityholders have no right to call for the redemption of the Securities. Although the Issuer may redeem the Securities in certain circumstances (including at its option on the First Call Date or on any Interest Payment Date thereafter), this may not be possible for regulatory capital reasons. Therefore, Securityholders should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time.

No Voting Rights

The Securities do not give Securityholders the right to vote at shareholders' meetings.

Status and no Limitation on Senior Debt

The obligations of Euroclear Bank under the Guarantee will rank junior as to payments on all liabilities to creditors of Euroclear Bank (including, without limitation, depositors, general creditors and subordinated debt holders). In the event that Euroclear Bank is wound-up, liquidated or dissolved, the assets of Euroclear Bank would be available to meet obligations under the Guarantee only after all payments have been made on such senior liabilities and claims. Neither Euroclear Bank nor the Issuer are prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Securities or Guarantee, respectively.

Securities may be Redeemed at any Time

The Securities may be subject to compulsory redemption and the Issuer may elect to redeem the Securities (in whole and not in part) upon the occurrence of a Tax Event or a Tier 1 Disqualification Event, whether before or after the First Call Date, or for any reason on the First Call Date or on any subsequent Interest Payment Date, in each case subject to the approval of the CBFA, if then required.

Euroclear Bank's Capital and Regulatory Position; Mandatory Conversion

If any of the events described in the definition of Supervisory Event were to occur or in the event of a general *concursus creditorum* on the assets of Euroclear Bank, this would cause the conversion of the Securities into the Conversion Profit-Sharing Certificates. Therefore, following any such event or a general *concursus creditorum* on the assets of Euroclear Bank, Securityholders would become holders of the Conversion Profit-Sharing Certificates at a time when Euroclear Bank's financial condition would have deteriorated.

Although Euroclear Bank has undertaken to create Conversion Profit-Sharing Certificates with economic terms substantially similar to the Securities if required to do so to effect mandatory conversion and although the Parent Company will undertake to vote or cause that a vote is made at the extraordinary general meeting of Euroclear Bank in favour of such an issue, Euroclear Bank has not yet created such Conversion Profit-Sharing Certificates. The issue of the Conversion Profit-Sharing Certificates will require a contribution of the Securities on behalf of the Securityholders and the determination by the board of directors of Euroclear Bank of the fulfilment of the conditions precedent to their issue.

Although Euroclear Bank has undertaken to use its best endeavours to obtain a listing for the Conversion Profit-Sharing Certificates on an EU-regulated exchange, Euroclear Bank and its shareholders will be required to take steps to do so following the occurrence of an event which causes the Mandatory Conversion into the Conversion Profit-Sharing Certificates. There can be no certainty, therefore, that the Conversion Profit-Sharing Certificates will be listed on an EU-regulated exchange.

Regulatory Restrictions

The CBFA or its successors, regulatory authorities in the European Union and regulatory authorities in other countries have oversight powers over the Guarantor and in varying degrees over one or more entities of the Group. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to any such entities or any portion of their respective operations or assets that could adversely affect the ability of the Guarantor to, among other things, make distributions to its security holders, to engage in transactions with affiliates, to purchase or transfer assets, to pay its obligations and to make any redemption or liquidation payments to its security holders.

Absence of Prior Public Markets

The Securities constitute a new issue of securities by the Issuer. Prior to this issue, there will have been, and there is currently, no public market for the Securities. Although application has been made for the Securities to be listed on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of Euroclear Bank and other factors that generally influence the market prices of securities.

EUROCLEAR FINANCE 2 SA

Euroclear Finance 2 SA (the ''Issuer'') was incorporated as a *société anonyme* under the laws of Luxembourg on 4 May 2005. It has its corporate seat in Luxembourg and is registered at the Luxembourg Company Register under number B108.194. The articles of incorporation of the Issuer have been submitted for publication in the *Recueil Sociétés et Associations (Mémorial)* but have not been so published at the date of this Offering Circular.

The registered office of the Issuer is 5, rue Guillaume Kroll, L-1882, Luxembourg.

The Issuer is a subsidiary of Euroclear Bank SA/NV (the ''Guarantor'' or ''Euroclear Bank''). The principal business of the Issuer is the undertaking of group finance and treasury activities for Euroclear Bank.

At the time of incorporation, the allotted and fully paid share capital amounted to 3,900 ordinary shares of €1,000 each.

As the Issuer was incorporated on 4 May 2005, no financial statements have been prepared. The first financial statements will be prepared in respect of the period from the date of incorporation until 31 December 2005.

The directors of the Issuer are:

Directors

Mr. A. Chris Tupker	Chairman and Director
Mr. J. Loesch	Director
Mr. C. Schaack	Director

The business address of each director is c/o 5, rue Guillaume Kroll, L-1882, Luxembourg.

NON-CONSOLIDATED CAPITALISATION OF EUROCLEAR FINANCE 2 SA

The table below sets forth the unaudited non-consolidated capitalisation of the Issuer as at 4 May 2005:

	Unaudited (in thousands of Euro)
Long-term debt[(1)]	0
Shareholders' equity:	
Share capital[(2)]	3,900
Total capitalisation[(3)]	

Notes:

(1) After the issue of the €300,000,000 Fixed/Floating Rate Subordinated Guaranteed Non-Cumulative Perpetual Securities contemplated herein, the aggregate long-term debt of the Issuer will be €300,000,000.

(2) The share capital of the Issuer was increased on 7 June 2005 to €4,500,000 by the issue of 600 new ordinary shares with a nominal value of €1,000 each.

(3) Includes long-term debt and share capital.

Save as disclosed above, there has been no material change in the capitalisation of Euroclear Finance 2 SA since 4 May 2005.

EUROCLEAR BANK SA/NV

Euroclear Bank is a wholly-owned subsidiary of Euroclear SA/NV, a *société anonyme/naamloze vennootschap* incorporated under the laws of Belgium, which is in turn a wholly-owned subsidiary of Euroclear Investments SA, a *société anonyme* incorporated under the laws of Luxembourg. Euroclear Investments SA is an intermediate holding company and a wholly-owned subsidiary of Euroclear plc. References in this offering circular to the ''Euroclear Group'' are to Euroclear plc and its subsidiaries as shown in the group structure chart as at 1 January 2005 (included below at page 50) and the Issuer. Euroclear Bank is registered at the *Registre des Personnes Morales* in Brussels, Belgium, under number RPM 0429875591 and has its registered office at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium.

Ultimate Shareholders of Euroclear Bank

Euroclear plc is a public limited company incorporated under the laws of England and Wales, and its management and control are based in Baar, Canton of Zug, Switzerland. Euroclear plc is the owner of the Euroclear System (see section headed ''The Euroclear System''). As at the date of this offering circular, Euroclear plc was owned by 217 shareholders. Most of these shareholders are users of one or more of the services offered by members of the Euroclear Group. No shareholder holds more than 5 per cent. of the voting rights attaching to the ordinary shares of Euroclear plc.

History of Euroclear Bank

Euroclear Bank was incorporated as a *société coopérative/coöperatieve vennootschap* under the laws of Belgium on 21 November 1986, under the name Euroclear Clearance System Société Coopérative (''ECS-SC'').

On 15 May 2000, ECS-SC was converted into a *société anonyme/naamloze vennootschap* under the laws of Belgium, and obtained a banking licence from the Belgian Banking, Finance and Insurance Commission (the ''CBFA'') and changed its name to Euroclear Bank SA/NV on 27 July 2000. Under the terms of the Termination and Transfer Agreement (''TTA'') between Morgan Guaranty Trust Company of New York, Brussels office (''MGB'') and members of the Euroclear Group, Euroclear Bank replaced MGB as operator of and banker to the Euroclear System on 31 December 2000. Euroclear Bank has operated under the same banking licence since 2000.

During 2004, the Euroclear Group undertook a major corporate restructuring that became effective on 1 January 2005 (the ''Corporate Restructuring''). As part of the Corporate Restructuring, Euroclear Bank was moved to the level of the other group central securities depositaries (the ''CSDs'', comprising Euroclear France, Necigef/NIEC and CRESTCo Limited) and another entity of the Euroclear Group, formerly known as Tradego SA/NV, was renamed Euroclear SA/NV to act as the holding company of all of these companies.

Regulatory Status of Euroclear Bank

Euroclear Bank is licensed to conduct banking business under the laws of Belgium. As a settlement and credit institution incorporated in Belgium, Euroclear Bank is subject to the supervision of the CBFA. The responsibilities of the CBFA are based on the law of 22 March 1993 on the legal status and supervision of credit institutions and on Article 23 of the law of 2 August 2002 on the control of the financial markets. In its capacity as the prudential supervisor, the CBFA verifies whether Euroclear Bank meets the authorisation requirements and operating criteria laid down in the above laws and regulations. Euroclear Bank is also subject to the oversight of the National Bank of Belgium, which is entrusted with the oversight of securities settlement systems in Belgium by virtue of Article 8 of its organic law of 22 February 1998 (a legal power which was further clarified in Article 23 of the law of 2 August 2002 on the control of financial markets).

Subsidiaries of Euroclear Bank

Euroclear Bank has eight subsidiaries:

- Euroclear Finance 2 SA (the Issuer)
- Euroclear Finance SA
- Euroclear Latin America Limitada
- Calar Belgium SA/NV

- EC Nominees Limited
- Euroclear Nominees Limited
- EOC Equity Limited
- Fundsettle EOC Nominees Limited

Euroclear Finance SA was incorporated as a *société anonyme* under the laws of Luxembourg on 2 August 2000 and is the issuer of the Subordinated Guaranteed Floating Rate Notes due 4 October 2010 and the 6.875 per cent. Subordinated Undated Guaranteed Notes issued in 2000 and guaranteed by Euroclear Bank in each case. Euroclear Bank holds 96.8 per cent. of the share capital of this company and the remainder is held by Euroclear Investments SA.

Euroclear Latin America Limitada is a limited liability company incorporated under the laws of Brazil on 16 June 2000. It acts as the representative office of Euroclear Bank in Brazil. The allotted and fully paid share capital of Euroclear Limitada amounts to 358,001 shares of one Brazilian Real each. Euroclear Bank holds approximately 95 per cent. of the share capital of this company, with the remainder being held by Frédérique Colautti and Euroclear Investments.

Calar Belgium SA/NV was incorporated as a *société anonyme* under the laws of Belgium on 16 June 1989 and is a wholly-owned subsidiary of Euroclear Bank. It is a property investment company which owns 51 per cent. of a partnership, Calar Cabesa Partners, which holds the lease for the premises of Euroclear Bank.

EC Nominees Limited and Euroclear Nominees Limited were incorporated as limited liability companies under the laws of England and Wales on 16 May 1986 and 10 April 1989, respectively. EOC Equity Limited and Fundsettle EOC Nominees Limited were incorporated as limited liability companies under the laws of England and Wales on 19 November 1993. All of these companies are wholly-owned subsidiaries of Euroclear Bank and act as its nominee companies in the UK.

Interest in LCH.Clearnet Group Limited

On 7 February 2002, Euroclear Bank acquired 20 per cent. of the central counterparty and netting institution, Clearnet SA, from Euronext SA. The effect of that transaction was that Clearnet SA became an associated undertaking of Euroclear Bank. This permitted part of Clearnet SA's income to be consolidated in the accounts of Euroclear Bank. However, following the merger of Clearnet with the London Clearing House in December 2003, Euroclear Bank exchanged its holding in Clearnet for a 9.8 per cent. holding in the new merged entity, LCH.Clearnet Group Limited. That 9.8 per cent. interest is not large enough to allow Euroclear Bank to consolidate LCH.Clearnet Group Limited's income in its accounts or for LCH.Clearnet to be a subsidiary of Euroclear Bank.

THE EUROCLEAR SYSTEM

The Euroclear System is a leading international securities clearing and settlement system. The Euroclear System clears and settles transactions in international debt securities, domestic debt securities, investment funds and, increasingly, equity securities.

At the level of Euroclear Bank, the value of the securities settled in the Euroclear System for the calendar year 2004 was €132.6 trillion and the value of securities deposited with the Euroclear System as at 31 December 2004 amounted to €5.9 trillion. Over the past five years, the value of securities settled and the market value of securities deposited in the Euroclear System have increased at a compound growth rate of 25 per cent., and 11 per cent., respectively.

The expansion into equities is more recent. Euroclear Bank clears and settles equity transactions from 25 markets, including via direct settlement links (''feeds'') from six European stock exchanges. The range of Euroclear services has been developed to include securities lending and borrowing, money transfer, custody and collateral management. In order to strengthen its position in securities clearance and settlement, Euroclear strategic alliances and mergers have been, and, in the case of CIK (see below) are being, completed with local central securities depositories and clearing organisations.

Licence Agreement

On 10 March 2000, Euroclear Bank entered into a licence agreement with Euroclear plc (the ''New Licence Agreement'') pursuant to which Euroclear plc granted Euroclear Bank the exclusive right to use and operate the Euroclear System together with the worldwide, exclusive, non-transferable right to use the Euroclear trademarks, together with the associated banking activity.

The parties to the New Licence Agreement agreed that Euroclear Bank would pay a royalty that would reflect the increase in value of the Euroclear System and the opportunity for Euroclear Bank to carry on for its own account and benefit the banking activity related to the Euroclear System. The royalty has been determined by an independent expert to be 15 per cent. of Euroclear Bank's annual gross revenue. Either party may terminate the New Licence Agreement by giving the other party three years' notice.

The New Licence Agreement was amended on 23 December 2004 as a result of the Corporate Restructuring by having Euroclear SA/NV become a party to the contract in order to enable Euroclear plc to enforce its right to require that the assets, trademarks, know-how, people and contracts needed to operate the Euroclear System be transferred back to it in the case of a termination of the New Licence Agreement (the ''claw-back'' right).

This change was made necessary as some of the assets and employees that are subject to this claw-back right were transferred to Euroclear SA/NV.

To reinforce Euroclear plc's position in exercising its ''claw back'' right to operate the Euroclear System itself and have an equivalent effect, Euroclear SA/NV has become party to the New Licence Agreement and has undertaken to Euroclear plc that it will enter into a contract with Euroclear plc on terms substantially similar to the one that it has with Euroclear Bank for the shared services and that it will not terminate the provision of shared services to Euroclear Bank until the contract is transferred to Euroclear plc (or its designee) or a new shared service agreement is entered into.

THE HISTORY OF THE EUROCLEAR GROUP

Early history

The name ''Euroclear'' was inspired by the development of the eurobond market in the 1960s, which created a deregulated international market for issuers and investors, and made global investing considerably easier.

Responding to market need, MGB founded the Euroclear System in December 1968. In 1972, the Euroclear System was sold to Euroclear Clearance System Public Limited Company (''ECS-PLC''), which was owned by 119 of the world's major banks, broker/dealers, and other financial institutions, all of which were active users of the system. No single institution held more than 5 per cent. of the voting rights in ECS-PLC.

In 1986, ECS-PLC licensed the Euroclear System to ECS-SC, a Belgian co-operative corporation formed to enable all users of the Euroclear System to participate in its ownership. Shares in the ECS-SC were offered to all participants, and approximately 2,000 became shareholders.

Euroclear Bank

A critical step in the evolution of the Euroclear Group came with the creation of Euroclear Bank and the transfer to it on 31 December 2000 of all Euroclear System-related operating and banking functions from MGB. In the course of that year, Euroclear Bank was assigned AA+ long-term credit ratings by Standard and Poor's and Fitch, which still apply.

The Central Bank of Ireland chose to outsource its government bond settlement activity to the Euroclear Group from December 2000.

In January 2001, Euroclear Group merged with Sicovam SA, the central securities depositary of France. Sicovam was renamed ''Euroclear France'' and is now an integral part of the Euroclear Group. The merger marked a significant milestone in the evolution of Europe's settlement infrastructure.

In February 2001, agreements were signed with Euronext under which Euroclear Group merged with the Dutch central securities depositary, Necigef/NIEC, and acquired the book of business of the Belgian central securities depositary, CIK (following which Euroclear Bank was formally appointed as a Belgian central securities depositary under Royal Decree 62 in September 2002). The merger with Necigef/NIEC was completed at the end of April 2002, following which Necigef/NIEC was renamed ''Euroclear Nederland and Euroclear NIEC'' and became a member of the Euroclear Group. The acquisition of the CIK book of business has not been completed yet but a new letter of intent with Euronext of November 2004 provides for the acquisition of full control of CIK by the Euroclear Group.

New business model

In September 2002, Euroclear merged with CRESTCo (the central securities depositary for the UK and Ireland) and CRESTCo contributed to the development of a new business model for European securities settlement (the ''Business Model''). The Business Model lays the foundations for the creation of an integrated European capital market which seeks to deliver institutional and retail investors a ''domestic market for Europe''.

Euronext, the pan-European stock exchange which resulted from the merger of the Paris, Amsterdam, Brussels and Lisbon stock exchanges, and the Euroclear Group are collaborating on developing integrated, ''straight-through'' processing settlement services for the Euronext markets. The collaboration with Euronext and LCH.Clearnet (the central counterparty clearing house that clears and nets transactions traded on Euronext and the London Stock Exchange, as well as some other trades) aims to offer market users a low-cost, low-risk and less fragmented securities service environment as quickly as possible. In addition, the Euroclear Group receives direct feeds from Euronext Paris, Euronext Brussels, Euronext Amsterdam and the London Stock Exchange.

Euroclear Bank, together with the other members of the Euroclear Group, has drawn up a blueprint for the future pan-European settlement landscape, aiming to deliver a domestic market for Europe by cutting away the current complexities of cross-border securities settlement. The Business Model aims to deliver such a market by focusing on achieving the harmonisation of market practices and the consolidation of settlement platforms across Euroclear Group markets.

Corporate restructuring

During 2004, the Euroclear Group implemented the Corporate Restructuring, which became effective on 1 January 2005. This Corporate Restructuring interposed an entity, Euroclear SA/NV (formerly known as Tradego SA/NV and incorporated in Belgium, with branch offices in Amsterdam, London and Paris), as the intermediate holding company of Euroclear Bank, CRESTCo, Euroclear France and Euroclear Nederland and Euroclear NIEC (the ''(I)CSDs''). This new structure has been created for the following strategic reasons:

- to consolidate all Euroclear Group technology platforms, including the single platform currently under development, in Euroclear SA/NV;
- to reduce risk for the CSDs in the highly unlikely event of the bankruptcy of Euroclear Bank (Euroclear Group's ICSD);
- to meet market demands for transparency of financial flows within Euroclear Group;
- to allow for greater flexibility for possible new alliances or mergers in the future.

Following the Corporate Restructuring, the following shared resources across the Euroclear Group were centralised in Euroclear SA/NV, which undertook contractually to provide these services to the (I)CSDs in an ''upsourcing'' arrangement:

- IT production and development.
- Human resources, audit, legal, financial and risk management.
- Sales and relationship management, product management, development of the Business Model and harmonisation, strategy and public affairs.

Euroclear Bank has retained the following functions:

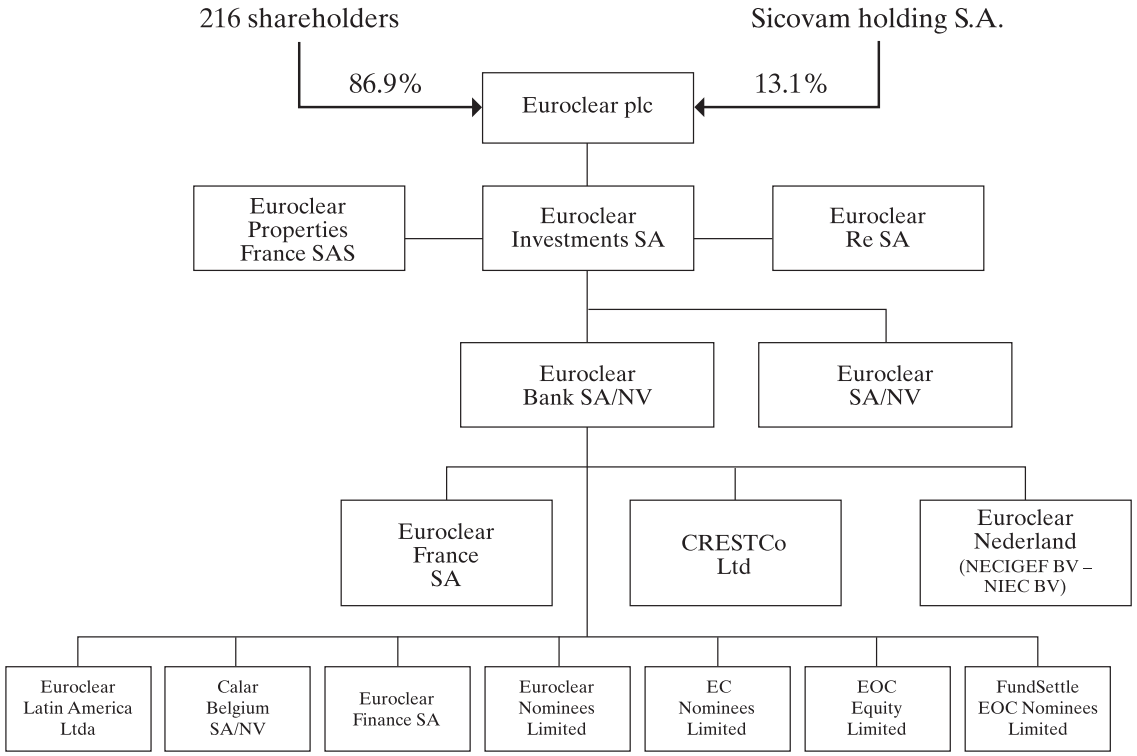
- Operations and network management.
- Banking.
- Client support and help-desks.
- Compliance support for some (I)CSDs.

In November 2004, Euroclear plc and Euroclear Bank signed a letter of intent with Euronext NV to acquire full control of CIK, which by the terms of such letter is to become a sister company of the (I)CSDs later in 2005. Due diligence in relation to that transaction is currently being undertaken.

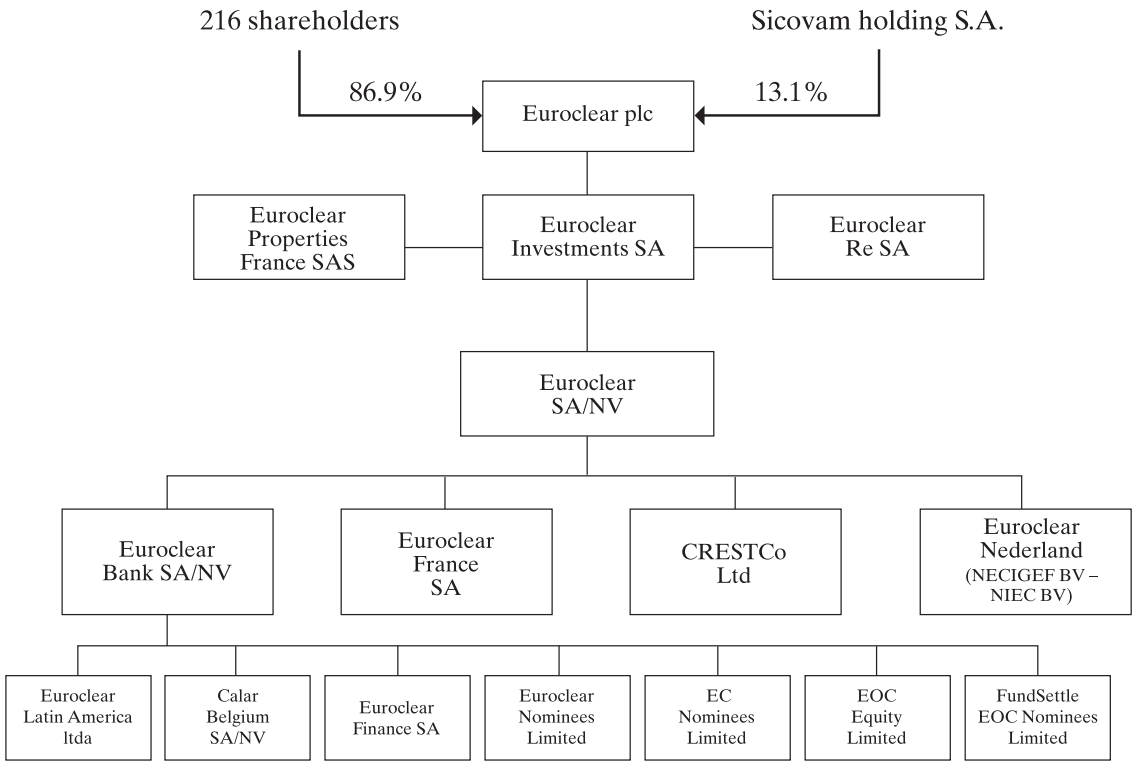
The direct impact of the Corporate Restructuring on the clients of the Euroclear Group has been minimal. As Euroclear SA/NV only provides services to the (I)CSDs, clients continue to access Euroclear Group services through their existing contractual relationships.

Below is a chart of the former and current corporate structure of the Euroclear Group.

As at 31 December 2004



As at 1 January 2005



Notes on the 1 January 2005 structure chart:

(1) With the exception of Euroclear plc, all companies shown in the structure chart are 100 per cent. owned by other companies within the Euroclear Group, or their nominees.

(2) The Issuer is not included in the structure chart because it had not been incorporated as at 1 January 2005.

Sources of operating income of Euroclear Bank

The following table shows the sources of operating income of Euroclear Bank in respect of the financial years 2003 and 2004.

	2003 (unaudited)	2004 (unaudited)
	(in €m)	
Fee Income	612.6	622.4
Safekeeping	400.2	415.3
Settlement	60.2	65.6
Communication	68.7	69.9
Securities lending	43.6	40.4
Collateral services	18.2	20.6
Money transfer	15.9	16.5
Other fees	35.8	34.1
Rebates to clients	(30.0)	(40.0)
Interest Income	138.8	142.1
On Clients Balances	112.5	112.7
On Capital	26.3	29.0
Other interest incomes		0.4
Other Income	20.8	8.7
Forex	1.4	1.3
Forex hedging	19.5	7.5
Operating Income	772.3	773.2

Eligibility for admission of clients to the Euroclear System

Clients eligible for admission to the Euroclear System must:

(a) have adequate financial resources;

(b) have the operational and technological capabilities to meet the requirements of the Euroclear System;

(c) demonstrate that the group of which they are part obtains a material benefit from admittance to the Euroclear System;

(d) have a good market reputation; and

(e) have in place an anti-money-laundering programme.

Services of Euroclear Bank

Euroclear Bank offers various services to its clients categorised in the following three core service groups (''service families''): settlement, asset servicing and asset optimisation.

Settlement

Clients can settle transactions in the Euroclear System either against payment in over 30 currencies or free of payment. Securities transaction settlement is possible with other clients, with members of Clearstream, Luxembourg, and with participants in local settlement systems that are active in over 30 local debt securities markets and in 25 local equity markets.

The Euroclear batch process consists of two successive securities settlement processings, the second of which is completed early in the morning of the business day in Brussels for which settlement is intended. The real-time process runs between 04:00 and 18:00 (Brussels time) of each Brussels business day. Real-time settlement is possible for the settlement of internal, bridge and most external transactions. Real-time settlement allows for both the re-cycling of previously unmatched or unsettled instructions and the processing of new instructions for same-day settlement.

The life cycle of a securities transaction instruction comprises the several steps of input, validation, matching, positioning and settlement:

Input

Clients send instructions to Euroclear Bank by EUCLID (the Euroclear information input and reporting and data transport network system), SWIFT, telex or mail. Valid instructions received from EUCLID workstations or in the correct SWIFT format are processed without manual intervention.

Validation

Instructions pass through various authentication procedures, including the checking of instructions for the correct syntax and verification against information contained in databases. Once instructions have been validated, a report is sent to clients either via EUCLID or SWIFT.

Matching

The matching of instructions varies, depending on the type of securities transaction instructions processed within the Euroclear System. Throughout the various steps, Euroclear Bank provides its clients with reporting and, once matching has occurred, with transaction confirmation reports. The matching is different, depending on whether it is an internal, bridge or external settlement instruction.

Positioning

In each batch process and in the real-time process, a ''positioning'' is carried out to verify in advance whether the securities will be available to execute the delivery instruction or whether cash/credit will be available to execute the receipt instruction. This verification is done between the matching of instructions and the settlement of the transaction, unless settlement takes place in a market where matching automatically makes the settlement irrevocable, in which case positioning takes place before the instructions are sent to the local market for matching purposes. To ensure that the same cash or securities are not used twice for different instructions, the relevant cash or securities are debited immediately to the account of the client. Positioning is always carried out before the instruction is sent to the depositary for settlement, which commits Euroclear Bank to the settlement. Euroclear Bank has different rules for positioning, depending on whether or not the client has a credit line with Euroclear Bank and whether the credit line is secured or not. Unsuccessful positioning means that the instruction cannot be further processed.

Settlement

All instructions that are successfully positioned during the batch process are settled at the end of the batch process in which the instructions are processed. Settlement takes place according to priorities and options previously selected by the relevant client. Instructions that are successfully positioned during the real-time process are settled during the same real-time process.

Euroclear Bank offers three categories of settlement:

- internal settlement (i.e. the settlement of a transaction between two clients of Euroclear Bank);
- bridge settlement (i.e. the settlement of a transaction between a client of Euroclear Bank and a member of Clearstream, Luxembourg); and
- external settlement (i.e. the settlement of a transaction between a client of Euroclear Bank and a counterparty in a local market).

Internal settlement

Internal settlement of transactions is accomplished by book-entry transfer and allows simultaneous exchange of cash and securities (for against payment transactions). For transactions settled internally, either against or free of payment, settlement is final, irrevocable and unconditional at the end of each of the two batch processings and during the real-time settlement process.

Upon receipt of valid instructions for settlement between clients, Euroclear Bank's computer system attempts to match one client's instruction with the corresponding counterparty's instruction. This is done on a continuous basis following a defined set of matching criteria. Matching is generally required in order for the instructions to be settled, except in certain cases (e.g. ''free of payment delivery without matching'' instructions). Matching results are available in real time for instructions validated between

06:00 and 22:00 (Brussels time), providing the client has subscribed to the necessary Euroclear Bank reporting options. A matched instruction may be cancelled by one party, except in the case of the distribution of new issues.

Bridge settlement

Settlement of transactions between a client and a member of Clearstream Banking, Luxembourg, takes place during the batch process and over the automated day-time bridge. Pre-matching of instructions in the Euroclear System consists of comparisons of delivery and receipt instructions, except in certain cases (e.g. ''free of payment delivery without matching'' instructions). One settlement system electronically transmits a file of proposed deliveries and accepted receipts to the other settlement system. This exchange of information allows both settlement systems to report matching results to their clients. A matched instruction may be cancelled by either client.

External settlement

Securities deposited with a local central securities depositary

When clients are expecting to receive or deliver securities from or to a local market counterparty, they send an instruction to Euroclear Bank which, in turn, will forward the instruction to the sub-custodian for matching in the local market. The sub-custodian prepares and sends the instruction, via book entry, to the local central securities depositary. The sub-custodian sends notification of matching in the local market to Euroclear Bank. Matching may be binding in certain markets, thereby obliging the local agent irrevocably to settle.

International securities deposited with a specialised depositary

When clients are to receive or deliver securities from or to an external counterparty which are deposited with a specialised depositary, they send an instruction to Euroclear Bank, where it is matched (whenever possible) with the notifications of matching received by Euroclear Bank from the relevant specialised depositary. Instructions to deliver securities outside the Euroclear System are sent to the relevant specialised depositary which prepares and sends the securities to the location designated by the counterparty.

FundSettle™

FundSettle is Euroclear Bank's dedicated platform for the processing of investment fund orders, providing a single access point for transfer agents, fund distributors and fund management companies. It has been designed to reduce the high cost of processing orders and to minimise the need for manual intervention, making the whole process more efficient and user-friendly.

FundSettle automates and standardises cross-border dealing, settlement and reconciliation. Clients benefit from FundSettle's comprehensive corporate action processing, and customised and real-time reporting for all steps in the dealing process.

The platform is accessible via both screen-based access through the FundSettle browser and computer-to-computer access through FundSettle file transfer and SWIFT.

Asset servicing

Custody

Securities deposited in the Euroclear System may be in either physical (bearer or registered, whether definitive or global) or in dematerialised form. Securities accepted include domestic debt (e.g. bonds, treasury bills), short-term and medium-term instruments (e.g. commercial paper), equities and equity-linked instruments (e.g. shares, investment funds, depositary receipts, warrants and convertibles) and international bonds (e.g. eurobonds, foreign bonds and global bonds).

Securities in the Euroclear System are held on a fungible basis. Under Belgian law, each client has a co-ownership right (represented by amounts credited to its securities clearance and transit accounts) in the notional pool of securities of the same type (represented by book entries on the books of Euroclear Bank) held in the Euroclear System.

Custody services provided by Euroclear Bank include safekeeping of securities, income collection, income distribution, tax assistance, corporate action processing and proxy voting. Custody and safekeeping of securities are provided through a network of depositaries. This network provides links with over 30 domestic markets to effect delivery and receipt of securities to and from counterparties in

the local market. Four types of depositaries operate in the market, depending on whether the securities are international or domestic.

Custody of international securities can be with:

(a) common depositaries that hold the physical security for a particular issue in global form when that issue is held in the Euroclear System and Clearstream, Luxembourg. The common depositary is responsible for new issues, mark-up or mark-down of the global security in respect of the issue, custody of that particular issue, information provision, and exchange into definitive securities (as the case may be); or

(b) specialised depositaries that are the sole custodians for all securities (in physical form) of a particular issue held in the Euroclear System. Other positions in that particular issue may be held in Clearstream, Luxembourg, in transit or temporarily in another depositary. The specialised depositary is responsible for the acceptance of deposits, delivery of securities, information provision, and custody of that particular issue.

Custody of domestic securities can be with:

(a) domestic sub-custodians that are sole custodians for all domestic securities of a particular issue held by Euroclear Bank. The domestic sub-custodian has an account with the local central securities depositary and is responsible for all settlement activity with the central securities depositary and for all information provision and custody activity of that security; or

(b) local central securities depositaries with which Euroclear Bank may open a direct account.

The main criteria used for the selection of securities custodians are:

(a) the creditworthiness, reputation and expertise of the custodian. As a rule, custodians must be branches or the head office of adequately capitalised banks with established expertise in safekeeping and custody business. Therefore, apart from local central securities depositaries, all custodians are banks regulated and supervised by their local central banks. In addition, for euro debt securities in physical or global form, banks have to have a minimum credit rating of ''A'' to be acceptable custodians. Unless the characteristics of the local securities dictate otherwise, preference is given to only one agent per market to leverage the Euroclear Bank relationship and reduce the internal management and operational costs;

(b) the ability of the custodian to ensure protection of the assets deposited by clients. In particular, under the standard Euroclear Bank depositary agreement, a number of requirements are imposed on the custodians, including standards of care, indemnification and insurance requirements. A legal opinion is also obtained from a reputable local law firm, addressing among other things: effective asset protection measures, and validity and enforceability of the agreement;

(c) the quality of service to be provided, including communication and daily reconciliation capabilities, custody and settlement services, and straight-through processing (that is, processing which proceeds from a single initial instruction to settlement without the need for intermediate instructions); and

(d) pricing.

Depositaries are appointed by the board of directors of Euroclear Bank and their appointment is reviewed on an annual basis. Board authorisation for the sub-deposit of securities held on behalf of Euroclear Bank is also required.

Cash income, including redemptions, coupon interest and dividends received by Euroclear Bank from an issuer with respect to securities held in custody in the Euroclear System, is credited to clients' cash accounts pro rata to the amount of securities held in the corresponding clients' securities clearance accounts.

New issues

Services offered through the Euroclear System include procedures for distributing new issues against or free of payment. New issues distributed against payment are typically syndicated long- and medium-term debt securities, euro-commercial paper and initial public offerings.

In order to distribute a new issue against payment in the Euroclear System, the lead manager has to make satisfactory credit arrangements with Euroclear Bank. New issues against payment are processed through dedicated securities clearance accounts and cash accounts for each lead manager. The lead

manager submits an allotment list to Euroclear Bank to create against payment instructions to transfer the nominal amount of the issue specified to each allottee which has chosen to take all, or part of, its allotment through Euroclear Bank.

The lead manager must notify allottees of the requirements necessary to submit instructions to Euroclear Bank. The lead manager's and the allottees' instructions are matched according to the rules applied to standard settlement instructions, but are subject to specific new issue deadlines. Payments for the new issue are made by extending credit up to the principal amount of the new issue to the lead manager by debiting the lead manager's cash account in the Euroclear System. Euroclear Bank pays such amount to the Euroclear Bank depositary, upon the order and at the risk of the lead manager, for onward payment to the issuer, against receipt of the securities. New issue settlement between the lead manager and allottees generally occurs in the batch process completed the day after the issuance date, after confirmation of receipt of securities by the appropriate depositary. Cash values are back-valued to the issuance date. New issue instructions are given priority over any other regular securities transaction instructions in the batch process. The payment to the issuer of the issue proceeds on the issuance date is only possible where the currency allows payment to be effected for same-day value. With other currencies, the payment for the issue is released on the previous business day.

For free of payment distribution of new issues, allottees and purchasers are credited according to instructions received from the lead manager or issuing agent. The latter arranges payment to the issuer outside the Euroclear System.

Asset optimisation

Securities lending and borrowing

Securities lending and borrowing increases settlement efficiency by making it possible for clients to borrow securities in order to avoid securities delivery failures. Lenders can increase the yield on their securities portfolios and can earn fees without incurring safekeeping fees for lent securities. Lenders also retain the collateral value of lent securities (by pledging the right to recover them) to support any secured credit lines provided by Euroclear Bank. Most securities held in the Euroclear System can be lent. Securities loans are settled in the batch process and the real-time process.

Euroclear Bank can assess the borrowing demand and supply of lendable securities on a trade-by-trade basis. Borrowing is subject to:

(a) the borrower having sufficient secured credit available from Euroclear Bank;

(b) there being a sufficient supply of lendable securities; and

(c) the borrowing complying with the client's pre-determined borrowing parameters.

Subject to specific terms and conditions, Euroclear Bank guarantees to each lender:

(a) the return of lent securities (or their cash equivalent), against a borrower's default in respect of its obligation to return securities;

(b) income, redemption proceeds and other entitlements (or their cash equivalents) in respect of lent securities; and

(c) the payment of lending fees.

The guarantees by Euroclear Bank in respect of the return of lent securities are only provided by Euroclear Bank, as part of its banking services (see below), on a fully secured basis.

When securities are recalled because the lender needs to make a delivery or if a corporate event occurs in relation to the securities, the supply of securities available in the Euroclear System for lending is usually sufficient to allow a lender to recall its securities without affecting borrowers. However, if the lendable supply is insufficient, the securities must be recalled from one or more borrowers. When a borrower fails to redeliver lent securities by the end of the recall period, Euroclear Bank will attempt to purchase replacement securities on the repayment date and, if unsuccessful, may offer to provide its cash equivalent.

There is no direct link between borrowers and lenders. The lender lends into the pool of loaned securities and the borrower borrows from the pool. In order to ensure the confidentiality of clients' positions, borrowers and lenders do not know each other's identity.

Integrated Collateral Management

Euroclear Bank offers collateral management services to clients in support of their bilateral repurchase (repo) agreements, securities loans, secured loan facilities, derivatives transactions and margining for central counterparties. There are five collateral management products:

- triparty repo;
- triparty securities lending;
- triparty secured loan;
- triparty derivatives; and
- triparty exchange and netting.

Collateral management services relating to these products include: deal matching, collateral eligibility verification and selection, delivery against or free of payment of collateral transfer, daily marking-to-market, collateral substitution, margin maintenance, custody event management, and reporting. Collateral management services are delivered using the batch process and the real-time process.

Customers can elect for automatic collateral selection and substitution operations, thereby increasing collateral efficiency and reducing collateral costs. This is done through AutoSelect®, Euroclear Bank's proprietary automatic selection and substitution module, which is fully integrated in the batch and real-time processes.

Money transfer

Euroclear Bank offers facilities to enable clients to transfer cash in and out of the Euroclear System in over 30 currencies. To facilitate management of foreign currency cash balances held, Euroclear Bank also supplies foreign exchange services. The money transfer services offered include:

(a) Book transfer services to transfer funds between the cash accounts of clients held in the Euroclear System;

(b) Wire transfer services to wire funds out of the Euroclear System to correspondent banks;

(c) Pre-advice of funds to be deposited at a correspondent bank for the account of Euroclear Bank in favour of the client's cash account; and

(d) Foreign exchange services.

Banking services

Banking services offered by Euroclear Bank comprise the provision to clients of:

(a) treasury services including fixed-term deposits and fixed-term advances. Euroclear Bank may pay or charge interest to clients for credit or debit balances in those accounts;

(b) credit on an uncommitted basis in connection with the operation by the clients of their accounts;

(c) foreign exchange execution to facilitate management of foreign currency cash balances held within the Euroclear System; and

(d) securities lending guarantees to securities lenders in order to guarantee the return of lent securities or their cash equivalent in the event that a borrower defaults on its obligation to return such securities.

Management of risk in Euroclear Bank

Euroclear Bank believes that settlement activity should be protected, so far as practicable, from systemic risk. Strong risk management is a major contributor to the stability and effectiveness of financial markets. The Euroclear Group has amassed considerable expertise in, and seeks to foster a strong culture of, risk management with the aim of reducing to an acceptable level the risks involved in the operation of settlement and custody, as well as settlement-related banking activities.

A new corporate structure has been in place since 1 January 2005 (as described further in the section headed ''The History of the Euroclear Group''). In this structure, the new holding company, Euroclear SA/NV, operates and owns the Single Settlement Engine (''SSE'') and the Single Application

Platform (''SAP''). From a risk management perspective, one advantage of this new structure is that the operations of the CSDs would not be effected by a failure of the ICSD.

In order to operate the settlement system, Euroclear Bank has to manage three main types of risk:

- **Credit risk**

  This may arise from securities lending and the temporary intra-day advances of funds to facilitate the settlement of transactions.

- **Market and liquidity risk**

  This results from the management of the Euroclear Bank balance sheet. In essence, the risk arises in connection with the management of short-term cash positions and funding needs on the one hand, and the management of the long-term investment book on the other.

- **Operational risk**

  Under the Euroclear Operation Risk Management (''ORM'') framework, Euroclear Bank examines the four drivers of operation risk: people, process, system and external events. The ORM aims to establish an adequate, effective and efficient control framework to manage these four drivers of operation risk.

Credit risk

The Euroclear System operates a delivery-versus-payment (''DVP'') type 1 settlement system (according to the categories adopted by Euroclear Bank for international settlements) that holds both cash and securities accounts on its books. Securities transactions settle irrevocably and unconditionally through simultaneous book-entry on the respective cash and securities accounts, thus achieving immediate intra-day finality. This mechanism minimises settlement risk between the two parties to a transaction and precludes the possibility of the transaction unwinding, in the event that one of the parties becomes insolvent. As a result, the only impediment to continuous intra-day finality is any credit constraint clients may face during the day in the Euroclear System. In addition, in a cross-border environment, credit needs may arise because of structural reasons, such as time-zone differences or mismatches in operating hours with other settlement systems. Therefore, in order to keep settlement efficiency high and contain systemic risk, Euroclear Bank grants credit to clients on a temporary basis (operating exposure). This exposure, measured from the time of the commitment of the payment until the time of the offsetting inflow of funds, may last from a period as short as a couple of seconds up to several hours. By its nature, the duration of the operating exposure is generally less than 24 hours and it can, therefore, be characterised as a form of intra-day credit. It is only under unforeseen circumstances, primarily as a result of settlement failures, that part of the operating exposure may not get confirmed in time and thereby becomes a real end-of-day overdraft that is retained on the books of Euroclear Bank.

The credit facilities offered to clients are on an uncommitted basis. These facilities are multi-currency and can be reduced or withdrawn at any time without notice.

As a rule, credit facilities are required to be secured and, historically, Euroclear Bank has required more than 95 per cent. of its facilities to be secured, usually by clients' assets held in the Euroclear System. Credit facilities are used primarily for:

(a) Intra-day cash borrowing

Credit may be made available to provide funding in excess of cash in a given currency held by a client in its cash account, for purposes related to Euroclear Group services. Use of credit can permit securities settlement to occur without any need for pre-funding accounts. For the purposes of distributing new issues in the Euroclear System, credit may be made available to lead managers to finance payments to issuers.

(b) Commitments in connection with local market settlement

Euroclear Bank may extend credit to clients, in connection with local market settlement, as from the moment it sends instructions to the local market for either binding matching or settlement purposes.

(c) Securities lending

Credit arrangements must be made with Euroclear Bank as a condition for borrowing securities through the Euroclear System's securities lending and borrowing service. A securities lending constitutes an extension of credit to a borrower, with respect to a guarantee of the redelivery obligation to the lender through the service. The total outstanding securities borrowings are subject to a cap set for each client.

In addition, in order to support settlement of trades between a client of the Euroclear Group and a member of Clearstream, Luxembourg, Euroclear Bank routinely grants variable, but often very substantial, amounts of credit to Clearstream, Luxembourg during the securities settlement processing. This operating exposure is largely secured by a letter of credit in the amount of US$4.5 billion issued by Clearstream, Luxembourg in favour of Euroclear Bank.

Euroclear Bank has historically managed to avoid credit losses and systemic risk. The requirement of secured credit lines has allowed Euroclear Bank to maintain its credit lines during market crises (such as issuer defaults) and has enabled it to avoid cutting off the liquidity of a client under credit pressure and thereby causing loss to other clients. As a result, Euroclear Bank suffered no material credit losses through any of the emerging market or other market crises.

Besides its operating exposure on clients and Clearstream, Luxembourg, Euroclear Bank has the following credit exposures on financial institutions, primarily as a result of regular treasury operations:

(a) direct exposure on cash correspondents as a result of the placement of net long cash positions in the money markets;

(b) market exposure on financial institutions as a result of short-term derivative transactions by Euroclear Bank;

(c) settlement exposure as a result of regular hedging operations in the foreign exchange markets; and

(d) contingent exposure as a result of guarantees, letters of credit, credit derivatives and transactions that Euroclear Bank may enter into in order to enhance its credit portfolio.

All these exposures are managed by separate credit facilities. In many cases, the counterparties in these transactions are clients in the Euroclear System. Aggregate pre-determined exposure limits enable Euroclear Bank to monitor each of the identified exposures as well as its overall credit exposure.

Market and liquidity risk

Euroclear Bank manages three sets of books:

- **Treasury book**

  These are the assets and liabilities directly resulting from all activities of clients. The position of each client varies on a daily basis, as a result of the funds passing through its accounts. The treasury book is comprised of clients' deposit and overdraft positions, a number of special agreements or term deposits from clients, as well as treasury funding or investment of net positions.

  Taking into account the management of cash flows and liquidity needs resulting from the activity of the Euroclear Group, no instruments with maturity greater than one year are allowed in this book.

- **Hedging book**

  These comprise all the market transactions that are undertaken to manage the market risk exposure resulting from future income streams: for instance, interest rate risk on net interest earnings generated by investment of the future long client balances, and foreign exchange risk on future banking and non-banking income. The positions taken in the book are managed according to the following key principles:

  - Once hedged, an exposure will not be re-opened.
  - Unwinding of positions will be done only in exceptional circumstances, for instance in the case of an over-hedged position or to reduce further the exposure.

- **Investment book**

  These are all the market positions that are not linked to the activities of clients. They are funded by long-term debt, equity and retained earnings of Euroclear Bank, and must be invested with the objective of capital preservation. With capital preservation and contingency liquidity-providing

investment strategy in mind, the assets in the investment book can only be invested in debt instruments with a minimum credit rating of AA-. Upon approval from the Assets and Liabilities Committee (discussed further in the section headed ''Management, Employees and Premises of Euroclear Bank''), the investment book can be used as collateral to guarantee credit facilities set up for the purpose of Euroclear Bank activity. This must be done within the limits and constraints laid down in the Euroclear Collateral Policy and taking into consideration the requirements resulting from the contingency liquidity plan (see below).

Market risk in relation to the three books is managed and controlled on a consolidated basis and Euroclear Bank has included the market risk in its economic capital model (which also includes operational credit and business risk). Global market risk is measured using the following methodologies:

- Value-at-Risk (VaR) methodology: The VaR for a portfolio is an estimate of the potential mark-to-market loss resulting from a move in relevant market factors that could occur under normal market conditions.
- Earnings-at-Risk (EaR) methodology: The EaR for a portfolio estimates, based on a Monte-Carlo simulation, the potential value of Euroclear Bank's future income at fixed-time horizon that could occur under normal market conditions.

Before a type of market activity is permitted, the relevant methodology and the required infrastructure to value book positions and to measure the risk must be in place.

Market risk limits are based on the management's assessment of acceptable risk levels and of market opportunities and conditions, business requirements and experience levels. No more than 20 per cent. of the total investment of the treasury, hedging and investment books combined can be made in the same individual name. In addition, concentration limits on a specific issuer are applicable to the combined exposure of the treasury, hedging and investment books.

Stress testing is also used to complement market risk measurements by evaluating a position's or portfolio's potential loss under various extreme market conditions. In addition, back testing is used as a control process to validate the accuracy of global market risk methodologies by comparing daily measures to corresponding actual profits and losses.

In managing the treasury and hedging books, a major activity is the overnight investment (funding) of the net excess (deficit) resulting from all activity in a client's cash accounts. In case of a shortfall on any given day, Euroclear Bank incurs a liquidity risk as a result of its possible inability to find enough cash in the overnight markets to fund the deficit. Two tools are used to control that risk:

- a liquidity limit is defined to constrain activity in the treasury and hedging books by maturity date; and
- a liquidity contingency plan (comprising intra-day committed facilities, a liquid investment book and a back-stop liquidity facility) must be maintained at all times to provide extra sources of funds, in case the normal inter-bank supply proves insufficient. The adequacy of the plan is validated by a stress testing analysis that is performed every six months. The plan is designed so that Euroclear Bank can meet the largest payment obligation from any of its clients (in accordance with recommendation 9 for Securities Settlement Systems issued in November 2002 by the Committee on Payments and Settlement Systems of The Bank for International Settlements and International Organisation of Securities Commissions (CPSS/IOSCO)).

In the currencies for which Euroclear activity results in a permanent long position, term investments of this position are allowed within the above liquidity limits.

Operational risk

In its preparation for the new regulatory requirements regarding operational risk contained in Basel II, the Euroclear Group pursued the implementation of its new ORM framework, structured around the identification, assessment, monitoring and mitigation of operational risk in service delivery processes. Euroclear has reviewed this ORM framework and confirmed its compliance with the Enterprise Risk Management Framework established by the Committee of Sponsoring Organizations of the Treadway Commission. The Euroclear Group also intends to comply with the Basel II Advanced Measurement Approach before 2008.

The ORM framework supports the management of operational risk in Euroclear Bank by setting out:

- the ORM governance;
- the importance of an awareness of operational risk issues;
- processes effectively to identify, assess, and measure operational risk, including in the design of all products and services;
- the implementation of the necessary operational risk controls and risk mitigation strategies;
- compliance monitoring of the relevant operational risk policies and procedures; and
- operational risk reporting.

Governance

In line with the strategy, policy and risk appetite set by the board of directors of Euroclear Bank, its Management Committee (see page 78 below) provides the necessary direction and resources to manage operational risk, define and implement the ORM framework in line with industry best practices, and ensure that the ORM framework is subject to effective and comprehensive independent audit review.

The individual business managers have the primary responsibility for managing operational risk, while Euroclear Bank's operating committee (see page 78 below) exercises the related operating oversight.

The Risk Management Division of Euroclear SA/NV offers Euroclear Bank's management the necessary support with regard to the definition and maintenance of Euroclear Bank's operational risk policy framework, ORM processes, tools and reporting.

The ORM framework includes the following operation risk assessment processes:

New product approval

The new product approval process aims to ensure that all operational risks linked to new products and services are effectively addressed. Using a standard operational risk rating methodology, this process incorporates a risk assessment of the inherent operational risk and proposed controls. The Euroclear Bank risk assessment committee (see page 78 below) reviews the risk analysis performed by the relevant business managers, and decides whether additional mitigating actions are required to be taken before new products and services can be launched.

Control self-assessment

To address the various sources of operational risk in the operation of the Euroclear System, Euroclear Bank uses a self-assessment process with the following objectives:

- to build an accurate and consistent assessment of the Euroclear Group's operational risk profile and control environment (to achieve a good understanding and assessment of the risk inherent to the various business activities, as well as the effectiveness of the risk control mechanisms);
- to identify and ensure timely resolution of control issues based on the assessment of their impact; and
- to increase the awareness of operational risk and promote an ongoing assessment of risk by Euroclear Bank's management.

SAS 70 report

Each year, Euroclear Bank publishes a SAS 70 Report prepared by its external auditor on its operational risk controls. This provides an independent overview of the efficiency of Euroclear Bank's internal controls.

Escalation procedure

Euroclear Bank has implemented a process to identify and report to senior management operational risk incidents and losses in order to:

- allow for the immediate and effective follow-up of all operational incidents that could potentially lead to material financial losses, or damage to Euroclear Bank's reputation; and

- help understand what enabled the incident to occur, to identify the necessary operational risk mitigating actions.

In addition, for several years, the information and data resulting from this process have been kept in a central database, permitting quantitative and qualitative analyses.

Issue tracking

To respond to the operational risk issues identified through any of the above assessment processes or in any other way, Euroclear Bank has implemented an issue tracking process with the objective of:

- deciding whether to avoid, mitigate, transfer or accept the risk, taking into account risk tolerance as well as the cost and benefit of the actions considered; and
- defining and implementing the necessary measures to bring the level of operational risk within the relevant operational risk appetite.

All issues and action plans are kept in a centralised repository and regularly reported to the operating committee of the board of Euroclear Bank.

Insurance

As part of its ORM control processes, Euroclear Bank maintains comprehensive insurance for operational risk. This insurance coverage is part of insurance policies contracted for the benefit of the Euroclear Group. All insurance policies are held with leading insurance companies.

The insurance includes coverage for:

- internal and external fraud, computer crime and professional indemnity coverage, up to €250 million;
- loss of physical securities, up to €500 million; and
- directors' and officers' liabilities, up to €50 million.

Legal and contractual protection

All clients must, prior to admission to the Euroclear System, agree to be bound by the terms and conditions governing their relationship with Euroclear Bank. In order for a client to obtain credit from Euroclear Bank, it must additionally agree to be bound by the standard credit documentation of Euroclear Bank.

Credit facilities provided to clients are generally secured by clients' assets within the Euroclear System. Clients are generally not permitted to pledge client securities and securities belonging to third parties. In a limited number of circumstances, Euroclear Bank may permit the pledging of securities of clients or related parties under the conditions permitted by the relevant legal and regulatory regime.

The main legal risk in connection with the collateral pledged to Euroclear Bank is that, in the event of the insolvency of the client, a court might rule that the rights to the securities are not located in Belgium and, therefore, are not able to be pledged in accordance with Belgian law. To limit this risk, Euroclear Bank has obtained legal advice from counsel in relevant jurisdictions as to whether entitlement to securities in the Euroclear System is determined, under that jurisdiction's conflict of law rules, to be located in Belgium and whether such a court would permit an attachment of such securities. For countries in the European Union, the adoption of the Settlement Finality Directive confirms that Belgian law should apply for the purposes of enforcing collateral upon the insolvency of a client incorporated in the European Union.

In agreeing to abide by the terms and conditions governing their relationship with Euroclear Bank, clients thereby agree to abide by, amongst other things, the operating procedures of the Euroclear System. Under these terms and conditions, Euroclear Bank is expressed to be liable only for its own negligence and wilful misconduct and disclaims any liability for any acts, omissions or default on the part of any of its sub-custodians, cash correspondents or other agents. The terms and conditions of Euroclear Bank provide that upon the termination of a client's contract:

(a) all amounts due to the client may be set off against any amounts due to Euroclear Bank; and

(b) Euroclear Bank may retain the securities held in the client's securities clearance account to provide for the payment of amounts due to Euroclear Bank.

Unless otherwise agreed, all clients' proprietary assets in the Euroclear System are subject to a statutory lien in favour of Euroclear Bank pursuant to Article 31 of the Belgian law of 2 August 2002 on the control of the financial markets.

Protection of clients' assets is a key concern for both clients and Euroclear Bank. To limit the legal risk to clients of holding securities through the Euroclear System with local depositaries, Euroclear Bank has obtained legal advice from local counsel in the relevant jurisdictions to the effect that:

(a) in the event of the insolvency of the depositary or the local clearance system in which a depositary may hold securities, the securities will not become part of the general assets of the depositary or local clearance system but would instead be recoverable in kind by Euroclear Bank on behalf of the Euroclear System; and

(b) securities held by the depositary or the local clearance system are not subject to attachment by creditors of the depositary or local clearance system.

Under the terms and conditions and current operating procedures of Euroclear Bank, certain otherwise final credits of securities to securities clearance accounts and transit accounts may be reversed if, for instance, forged securities are discovered in the Euroclear System. Such a reversal may result in a net debit balance in a client's account. The affected client would be responsible for covering this debit position and Euroclear Bank has the right to conduct a buy-in on the client's behalf. If it is not possible to cover the debit position in this manner, all clients with positions in the relevant issue of securities could be required to share in the shortfall of securities on a pro rata basis, but would be entitled to an indemnity from the counterparty or to benefit from Euroclear Bank's insurance covering securities loss. There has been no case of such loss-sharing in the Euroclear System to date.

IT infrastructure and systems risk

The Euroclear Group manages a complex information technology-based infrastructure to support its business activities. The infrastructure is composed of various internally developed and third party software application systems, installed on both mainframe and distributed computing environments. Such application systems are developed according to a defined software development methodology using various third party tools and software languages. Application systems are subject to rigorous testing and review before being installed into the production environment. The scope of testing is developed and testing results are reviewed by both technical and business experts. Senior level managers approve installation into the production environment supported by an automated change management process.

An information risk management function defines security policy, procedures and standards within the Euroclear Group and, with the internal audit function, monitors compliance. Access to information and computer resources is controlled by access rules that link users to these assets.

Computer equipment is located at the primary computer centre at 1 Boulevard du Roi Albert II, Brussels and at a contingency computer centre. The contingency computer centre, located at a different site, provides continuity of computer processing in the event of a disaster or other significant disruption that prevents processing at the primary site. A fibre optic link between the two sites facilitates remote use of computer systems in the event of component failure.

In addition, the Euroclear Group is gradually implementing a new business continuity programme that is intended to be completed in 2007. It is based on the key principles of the use of three data centers to store and process transactions for clients, and, since January 2005, the spread of critical business expertise across several locations. In addition, several Euroclear Group entities operate a ''dual office'' system which means that they have an additional office which can be used in the event of disruption affecting the primary office. These arrangements enable each of the (I)CSDs (except Euroclear Nederland and Euroclear NIEC) to resume their technical operations within one hour of a local disaster (e.g. fire, explosion, bomb) or within three hours of a major regional disaster. The Euroclear Group will also be able to work in its contingency environment, covering IT systems and personnel, within the same business day, and for an extended period, if required.

The Euroclear Group expects that these arrangements to ensure business continuity will soon become standards for all systemically important market settlement service providers, thereby minimising contagion risks in the financial markets.

STRATEGIC DEVELOPMENTS

Overall strategy

Euroclear Group strategy

Euroclear Bank is a member of the Euroclear Group, and its strategy is part of the Euroclear Group's overall strategy.

The Euroclear Group is owned and governed by its users, and its focus is on delivering value to users as well as providing an adequate return to shareholders. Key to this is the objective of lowering costs for clients of the (I)CSDs, whilst preserving a choice of service levels to accommodate their needs and operational sophistication.

There are two aspects to this strategy:

(a) the development of a single settlement platform (by the use of common technology) for the (I)CSDs, so that settlement between these entities can be made on the same system, on a book-entry basis, rather than over two systems on a cross-border delivery basis. Euroclear Bank believes that this will result in lower costs and lower risks for clients of the (I)CSDs; and

(b) the CSDs serve their individual local markets, but settlement in these local instruments would also be possible in Euroclear Bank. Euroclear Bank would offer a fuller level of service than the CSDs, at a higher cost. Clients would, therefore, be able to decide which level of service is appropriate for them in any of the (I)CSDs' markets.

The Euroclear Group intends to continue to explore mergers and other forms of collaboration with settlement organisations to provide low-cost, low-risk cross-border settlement within Europe (as discussed further in ''The History of the Euroclear Group'').

Euroclear Bank's objective is to be the leader in the provision of cross-border commoditised services for bonds, equities and investment funds, in Europe and globally.

To reinforce its leadership in fixed-income securities and to strengthen its position in equities and investment funds, Euroclear Bank's strategy is:

(a) to reduce the costs of cross-border settlement, by being part of the single platform to settle transactions on a book-entry basis for the CSDs and for Euroclear Bank;

(b) to build close alliances with stock exchanges and clearing organisations to attract equities business through direct feeds from these institutions;

(c) to expand electronic order routing and settlement capability for investment funds to replace current paper-based processes; and

(d) to leverage its collateral management capability to provide maximum cross-collateralisation opportunities and thereby attract more assets under custody.

Possible future initiatives

The Euroclear Group also supports the development of a single financial market-place in Europe, with a common regulatory framework and harmonised market practices and technologies. Consolidation and harmonisation are both essential parts of reducing the risk and costs of securities settlement in Europe, and the Euroclear Group is committed to engaging actively with the political and regulatory initiatives that are aimed at delivering the single European financial market.

The two most important initiatives from the Euroclear Group's perspective currently being undertaken are:

(i) the work of the European System of Central Banks and the Committee of European Securities Regulators (''ESCB/CESR''); and

(ii) possible regulatory initiatives (which might include future European directives) on clearing and settlement being considered by the European Commission and/or Parliament.

The ESCB/CESR regulations aim to help the industry better manage risks as volumes continue to grow.

The Euroclear Group welcomes the open, consultative approach that the European authorities have taken with regard to their proposals. The Euroclear Group is actively involved in the various working

committees and is in direct consultation with the relevant authorities at every level. Successful regulation will support the efforts of the private sector to break down the barriers in Europe to provide a more unified market than exists at present.

Recent Euroclear Group strategic initiatives

To effect the Business Model strategy and deliver a domestic market for Europe, the Euroclear Group is working on two programmes in parallel:

- harmonisation of market practices across the (I)CSDs' markets; and
- consolidation of systems (i.e. technology platforms and the interfaces that clients use to interact with the Euroclear Group).

The Euroclear Settlement for Euronext-zone Securities (ESES) project, which the board of Euroclear plc approved in July 2004, provides for the acceleration of the delivery of certain aspects of consolidation and harmonisation within the Euroclear Group.

Euroclear Group intends that these developments should provide clients with cost savings, estimated at €300 million per year, as well as greater efficiency and lower risk. Euroclear Group believes that these cost savings will stem from transaction fee reductions and back-office and internal Euroclear Group savings.

Harmonisation through consultation

The year 2004 witnessed a breakthrough in consultation for harmonisation in the (I)CSDs' markets. The recognition in the market that platform consolidation without harmonisation would be sub-optimal prompted strong market commitment to work towards harmonised practices across Europe.

In the course of 2004, several Cross-border Harmonisation Working Groups were established under the auspices of the Cross-border Market Advisory Committee. Each Working Group is dedicated to a specific domain (i.e. communication, custody, legal, payments, securities settlement and tax) and draws on expertise from all industry segments in the Belgian, French, Irish, Dutch, UK and international markets. The Working Groups assist the Euroclear Group in analysing market differences and drawing up harmonisation proposals, which are published in formal consultation papers for wider discussion, a number of which were published in 2004.

These efforts at consultation have borne fruit, allowing the Euroclear Group to tackle specific technical issues supported by market-wide agreements and make progress in identifying optimal harmonisation solutions for the markets. More than 30 consultation and update papers, which will be followed by business descriptions, are due to be published in connection with such harmonisation before the end of 2005.

External market events have also contributed to harmonising the market place. For instance, on 1 January 2005, the Dutch Ministry of Finance approved the extension of Euroclear Nederland's admission criteria to investment firms located in the European Union. With this development, these firms will be able to choose any Euronext-zone CSD (i.e. CIK, Euroclear France or Euroclear Nederland) as their single entry point for settling transactions involving Euronext-zone securities when ESES is launched.

Consolidation on the single platform

The Euroclear Group's systems consolidation programme has begun and the first of three releases (i.e. phases of implementation) of the SSE was successfully launched in December 2004. Full implementation by 2007 is on schedule. The SSE represents the first stage in consolidating all IT application systems within the (I)CSDs, and consists of the consolidation of the securities and cash positioning and booking in the sub-systems of those (I)CSDs, in three releases:

- Release 1 implements the production and reference data environments to be used by the SSE. This was launched in December 2004.
- Release 2 is intended to implement the SSE in the different entities in phased launches throughout 2006.
- Release 3 is intended to implement the actual migration of the SSE versions used by the different entities to the final SSE platform in early 2007.

In December 2004, the board of Euroclear plc gave directional approval to the approach for migrating to the SAP. The main characteristics of the approved approach are:

- Consolidation phased by service from 2009 until 2010, starting with Euroclear Group custody and followed by Euroclear Group settlement services.
- Selected interim changes being made to effect harmonisation in the CRESTCo and Euroclear Bank legacy systems and, where possible, ESES, in parallel with consolidation to allow clients to lock-in early harmonisation benefits.
- Part of the Common Communication Interface (''CCI'') being delivered with host-to-host components before consolidation. Use of this will initially be optional for clients, becoming mandatory later.

ESES - accelerating harmonisation and consolidation

ESES is the integrated settlement platform for the straight-through processing of trades from Euronext's single order book for local and remote Euronext members, targeted for delivery by the end of 2007. Euroclear Group intends that ESES will provide the Euronext-zone CSDs with a common settlement and custody platform, on which system functionalities, market rules and practices will have been harmonised.

Euroclear Group intends that ESES will build on the SSE to provide a consolidation solution that combines the following two components:

- certain strategic settlement, custody and communication features from Euroclear Group's SAP and CCI, which will be accelerated for the purpose of ESES; and
- tactical components of the current RGV (''*Relit à Grande Vitesse*'') infrastructure (Euroclear France's real-time settlement platform).

SELECTED FINANCIAL INFORMATION

The following balance sheet and income statement have been extracted without material adjustments from the non-consolidated audited financial statements for Euroclear Bank SA/NV for the years ended 31 December 2003 and 2004 prepared in accordance with Belgian GAAP. The following section also includes a non-consolidated unaudited pro-forma balance sheet as at 31 December 2004, which reflects the impact on the financial statements of the Corporate Restructuring that took place on 1 January 2005.

Euroclear Bank's net interest income has remained stable over the last two years. The sustained high levels of client deposits have counterbalanced the effect of the relatively low interest rate environment in Europe and in the US, and also the impact of a gradual decline in value of the US dollar since 2002. Appropriate recourse to interest rate derivatives has also helped to protect the rate of return in respect of the reinvestment of the long core balances of Euroclear Bank's clients. Indeed, interest income in Euroclear Bank derives principally from its holding of cash balances for clients (facilitating the efficient settlement of their transactions), and the related inter-bank treasury activity. Interest income from debt securities derives mainly from the reinvestment of Euroclear Bank's capital and retained earnings, as well as from the reinvestment of the proceeds of the subordinated debt issued in 2000. Since 1 January 2003, the banking income (including interest income) earned by Euroclear Bank ceased to be payable to JP Morgan Chase under the terms of the Termination and Transfer Agreement, and now contributes to Euroclear Bank's overall income.

The financial statements of Euroclear Bank also reflect revenues related to the Euroclear System's clearing and settlement business. The main revenue contributor for the periods covered in the tables set out below is custody fees. However, other major revenues also comprise fees generated by settlement, securities borrowing, collateral management, money transfer and communication-related services. Since its creation on 31 December 2000, Euroclear Bank has demonstrated continued organic growth in its core business. This sustained growth enabled Euroclear Bank to deliver benefits to customers in the form of rebates and to implement price reductions across a range of products and services.

The level of fee expenses (e.g. network costs (i.e. remuneration of the depositary network), securities lending fees) is directly proportionate to the level of Euroclear Bank's fee income. Operating costs increased in 2004 as a result of the development of large investment projects, such as the Single Settlement Engine (''SSE'') and the Single Application Platform (''SAP'').

The results for 2004 have been significantly affected by two exceptional items. First, Euroclear Bank received in December 2004 exceptional dividends totalling €92 million from Euroclear France and CRESTCo, this cash subsequently being transferred to Euroclear SA/NV on 1 January as part of the Corporate Restructuring. In addition, prior to the transfer of its holding in Euroclear France as part of the Corporate Restructuring, Euroclear Bank reduced its book value by €167 million better to reflect Euroclear France's fair value.

Overall, Euroclear Bank's capital base has increased from €536 million at the end of 2000 to €2,398 million at the end of 2004, as a result of both organic and external growth (such as the mergers with Euroclear France (formerly Sicovam, the central securities depositary for France) in 2001 and with Necigef/NIEC (the central securities depositary of the Netherlands) as well as CRESTCo (the central securities depositary for the United Kingdom and Ireland) in 2002. As a result of the Corporate Restructuring, all shares in the above-mentioned companies have been transferred to the new holding company, Euroclear SA/NV, resulting in a decrease of shareholders' equity to €1,044 million.

At the time of the creation of Euroclear Bank, Euroclear plc and Euroclear Bank entered into a licence agreement for the operation by Euroclear Bank of the Euroclear System and the Euroclear trademarks. Since 1 January 2003, following the termination of the TTA, a royalty calculated at 15 per cent. of the annual gross revenues of Euroclear Bank has applied.

On 23 March 2005, PricewaterhouseCoopers SCCRL, statutory auditor of Euroclear Bank, issued an unqualified opinion on the 2004 financial statements of Euroclear Bank. Also on 23 March 2005, the board of directors decided to submit the annual audited accounts as of 31 December 2004 for the approval of Euroclear Bank's sole shareholder, Euroclear SA/NV.

The annual audited accounts were approved at the AGM that took place on 26 May 2005.

NON-CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF EUROCLEAR BANK SA/NV FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004

		31/12/2003	31/12/2004
		(in thousands of Euros)	
1.	**BALANCE SHEET AFTER PROFIT ATTRIBUTION**		
	ASSETS		
I.	**Cash in hand, balances with central banks and post offices**	142	137
II.	**Government securities eligible for refinancing at the central bank**	124,450	247,706
III.	**Amounts receivable from credit institutions**	4,942,056	5,374,238
	A. On demand	1,995,034	2,811,802
	B. Other amounts receivable (at fixed term or period of notice)	2,947,022	2,562,436
IV.	**Amounts receivable from customers**	1,711,009	1,281,722
V.	**Bonds and other fixed-income securities**	1,144,117	1,131,324
	A. Of public issuers	877,438	876,322
	B. Of other issuers	266,679	255,002
VI.	**Corporate shares and other variable-income securities**	0	0
VII.	**Financial fixed assets**	1,497,719	1,320,599
	A. Participating interests in affiliated enterprises	1,381,562	1,204,437
	B. Participating interests in other associated enterprises	0	0
	C. Other shares or stakes constituting financial fixed assets	116,157	116,162
	D. Subordinated loans with affiliated enterprises and with other associated enterprises	0	0
VIII.	**Formation expenses and intangible fixed assets**	15,880	44,246
IX.	**Tangible fixed assets**	17,382	42,263
X.	**Own shares**	0	0
XI.	**Other assets**	8,251	18,093
XII.	**Deferred charges and accrued income**	88,817	92,108
	TOTAL ASSETS	9,549,823	9,552,436

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NON-CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF EUROCLEAR BANK SA/NV FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004

		31/12/2003	31/12/2004
		(in thousands of Euros)	
	LIABILITIES		
I.	**Amounts payable to credit institutions**	4,828,717	4,065,909
	A. On demand	3,832,197	3,718,764
	B. Resulting from refinancing by rediscounting of trade bills	0	0
	C. Other amounts payable at fixed term or period of notice	996,520	347,145
II.	**Amounts payable to customers**	1,659,420	2,384,661
	A. Savings deposits	0	0
	B. Other amounts payable	1,659,420	2,384,661
	1. on demand	1,540,656	2,254,344
	2. at fixed term or period of notice	118,764	130,317
	3. resulting from refinancing by rediscounting of trade bills	0	0
III.	**Debt securities in issue**	0	0
	A. Bills and bonds in circulation	0	0
	B. Other	0	0
IV.	**Other amounts payable**	107,677	78,708
V.	**Accrued charges and deferred income**	88,581	124,373
VI.	**A. Provisions for risks and charges**	3,528	1,887
	1. Pensions and similar obligations	3,528	1,887
	2. Fiscal charges	0	0
	3. Other risks and charges	0	0
	B. Deferred taxes	0	0
VII.	**Fund for general banking risks**	0	0
VIII.	**Subordinated liabilities**	498,005	498,658
	SHAREHOLDERS' EQUITY	2,363,895	2,398,240
IX.	**Capital**	654,190	654,190
	A. Called up share capital	654,190	654,190
	B. Uncalled capital	0	0
X.	**Share premium account**	1,278,621	1,278,621
XI.	**Revaluation surpluses**	0	0
XII.	**Reserves**	165,699	167,954
	A. Legal reserve	15,616	17,871
	B. Non available reserve	0	0
	1. For own shares	0	0
	2. others	0	0
	C. Untaxed reserve	0	0
	D. Available reserve	150,083	150,083
XIII.	**Profit (loss (-)) carried forward**	265,385	297,475
	TOTAL LIABILITIES	9,549,823	9,552,436

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The annual audited accounts were approved at the AGM that took place on 26 May 2005.

NON-CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF EUROCLEAR BANK SA/NV FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2004

		31/12/2003	31/12/2004
2.	**INCOME STATEMENT** *(list form)*	*(in thousands of Euros)*	
I.	**Interest and similar income**	203,009	209,185
	of which: from fixed-income securities	49,731	51,297
II.	**Interest and similar charges**	-64,168	-71,339
III.	**Income from variable-income securities**	4,558	92,019
	A. Corporate shares and other variable-income securities	0	0
	B. Participating interests in affiliated enterprises	545	91,871
	C. Participating interests in associated enterprises	0	0
	D. Other shares or stakes representing financial fixed assets	4,013	148
IV.	**Commissions received**	683,359	686,154
V.	**Commissions paid**	-229,495	-246,978
VI.	**Profit from (loss on) financial operations**	20,830	13,030
	A. Foreign exchange transactions and transactions in securities and other financial instruments	20,830	8,740
	B. Sale of investment securities	0	4,290
VII.	**General administrative expenses**	-259,000	-324,224
	A. Wages and salaries, social charges and pensions	-162,756	-171,689
	B. Other administrative expenses	-96,244	-152,535
VIII.	**Depreciation and amounts written off (-) on formation expenses and intangible and tangible fixed assets**	-15,347	-18,883
IX.	**Write-back of amounts written off (amounts written off (-)) on amounts receivable and write-back provisions (provision (-)) for headings "I. Contingent liabilities" and "II. liabilities which may give rise to a credit risk" in the off-balance sheet section**	0	0
X.	**Write-back of amounts written off (amounts written off(-)) on the investment portfolio of bonds, shares and other fixed-income or variable-income securities**	0	0
XI.	**Uses and write-back of provisions for risks and charges other than those referred to by heading "I. Contingent liabilities" and "II. Liabilities which may give rise to a credit risk" in the off-balance sheet section**	0	0
XII.	**Provisions for risks and charges other than those covered by headings "I. Contingent liabilities" and "II. Liabilities which may give rise to a credit risk" in the off-balance sheet section**	0	0
XIII.	**Transfers from (Appropriation to) the fund for general banking risks**	0	0
XIV.	**Other operating income**	12,334	54,161
XV.	**Other operating charges**	-115,582	-114,413
XVI.	**Current profit (Current loss) before taxes**	240,498	278,712
XVII.	**Exceptional income**	0	252
	A. Write-back of depreciation and amounts written off on intangible and tangible fixed assets	0	0
	B. Write-back of amounts written off on financial fixed assets	0	0
	C. Write-back of provisions for exceptional risks and charges	0	0
	D. Capital gains on disposal of fixed assets	0	252
	E. Other exceptional income	0	0
XVIII.	**Exceptional charges**	-9,601	-166,621
	A. Extraordinary depreciation on and amounts written off on formation expenses, intangible and tangible fixed assets	0	0
	B. Amounts written off on financial fixed assets	-9,601	-166,621
	C. Provisions for extraordinary risks and charges	0	0
	D. Capital losses on disposal of fixed assets	0	0
	E. Other exceptional charges	0	0
XIX	**Profit (Loss (-)) for the year before taxes**	230,897	112,343
XIXbis.	A. Transfers to deferred taxes (-)	0	0
	B. Transfers from deferred taxes	0	0
XX.	**Taxes on profit**	-81,557	-67,242
	A. Taxes (-)	-81,801	-67,242
	B. Adjustment of income taxes and write-back of tax provisions	244	0
XXI.	**Profit (Loss (-)) of the year**	149,340	45,101
XXII.	**Transfers to the non liable reserve (-)**	0	0
	Transfers from the non liable reserve		
XXIII.	**Profit (loss (-)) of the year to be appropriated**	149,340	45,101

PARTIAL SPLIT AND UNAUDITED PRO-FORMA ACCOUNTS

On 8 November 2004, as part of the Corporate Restructuring (see ''The History of the Euroclear Group – Corporate Restructuring'') the boards of Euroclear Bank and Euroclear SA/NV, both owned by Euroclear Investments, approved a 'partial split' operation whereby certain assets and liabilities would be transferred to Euroclear SA/NV on 1 January 2005 (the ''Partial Split'').

Furthermore, immediately following the completion of the Partial Split, Euroclear Investments would exchange its investment in Euroclear Bank for new shares in Euroclear SA/NV.

Since 1 January 2005, Euroclear SA/NV has therefore become the holding company for the (I)CSDs of the Euroclear Group. In addition, it owns the Euroclear Group's shared securities-processing platforms and delivers a range of services to the (I)CSDs, including the development of a new technology platform.

This new structure was implemented for a number of strategic reasons: it reduces risk for the CSDs in the highly unlikely event of the bankruptcy of Euroclear Bank, it meets market demands for transparency of intra-group financial flows, and it allows for greater flexibility for possible new alliances or mergers in the future. It also provides a single owner for all the Euroclear Group's technology systems including the single platform that will form the heart of the Euroclear Group's services to its clients.

With reference to Euroclear Bank's 2004 statutory accounts, the following assets were transferred to Euroclear SA/NV:

- €1,181 million: Participation in the CSDs – CRESTCo, Euroclear France and Euroclear Nederland (Necigef/Niec)
- €78 million: Tangible and intangible fixed assets (including the development-phase costs capitalised for the Single Settlement Engine)
- €136 million: Cash on deposit
- €9 million: Prepaid expenses and other assets

At the same time, liabilities of €50 million were transferred and Euroclear Bank's equity decreased by €1,354 million. These assets and liablities were recorded by Euroclear SA/NV at the same values, under the 'accounting continuity' approach applied in partial-split operations, with a corresponding increase of €1,354 million in the value of its equity.

These transfers were subject to a review by the statutory auditor, performed in accordance with the applicable standards for such splits and mergers, as issued by the Belgian Institute of Auditors (''*Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren*''), who confirmed the accuracy of application and the adequacy of the valuation methods used for the Partial Split operation, and for the transfer of the Euroclear Bank investment to Euroclear SA/NV. The pro-forma accounts for Euroclear Bank presented below have been prepared by deducting the values of the transferred items above from the audited 2004 financial statements.

No significant impact on the core equity, profitability or liquidity position of Euroclear Bank is anticipated as a result of the Partial Split operation.

EXTRACT FROM THE NON-CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF EUROCLEAR BANK SA/NV AS OF 31 DECEMBER 2004 AND UNAUDITED PRO-FORMA FINANCIAL STATEMENTS POST PARTIAL SPLIT

		31/12/2004 (audited)	transfers resulting from Partial Split	31/12/04 pro-forma
		(in thousands of Euros)		
1.	**BALANCE SHEET AFTER PROFIT ATTRIBUTION**			
	ASSETS			
I.	**Cash in hand, balances with central banks and post offices**	137		137
II.	**Government securities eligible for refinancing at the central bank**	247,706		247,706
III.	**Amounts receivable from credit institutions**	5,374,238	-135,912	5,238,326
	A. On demand	2,811,802	-135,912	2,675,890
	B. Other amounts receivable (at fixed term or period of notice)	2,562,436		2,562,436
IV.	**Amounts receivable from customers**	1,281,722		1,281,722
V.	**Bonds and other fixed-income securities**	1,131,324		1,131,324
	A Of public issuers	876,322		876,322
	B. Of other issuers	255,002		255,002
VI.	**Corporate shares and other variable-income securities**	0		0
VII.	**Financial fixed assets**	1,320,599	-1,180,993	139,606
	A. Participating interests in affiliated enterprises	1,204,437	-1,180,993	23,444
	B. Participating interests in other associated enterprises	0		0
	C. Other shares or stakes constituting financial fixed assets	116,162		116,162
	D. Subordinated loans with affiliated enterprises and with other associated enterprises	0		0
VIII.	**Formation expenses and intangible fixed assets**	44,246	-36,719	7,527
IX.	**Tangible fixed assets**	42,263	-41,271	992
X.	**Own shares**	0		0
XI.	**Other assets**	18,093	-22	18,071
XII.	**Deferred charges and accrued income**	92,108	-8,755	83,353
	TOTAL ASSETS	9,552,436	-1,403,672	8,148,764

EXTRACT FROM THE NON-CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF EUROCLEAR BANK SA/NV AS OF 31 DECEMBER 2004 AND UNAUDITED PRO-FORMA FINANCIAL STATEMENTS POST PARTIAL SPLIT

		31/12/2004 (audited)	transfers resulting from Partial Split	31/12/04 pro-forma
		(in thousands of Euros)		
	LIABILITIES			
I.	**Amounts payable to credit institutions**	4,065,909		4,065,909
	A. On demand	3,718,764		3,718,764
	B. Resulting from refinancing by rediscounting of trade bills	0		0
	C. Other amounts payable at fixed term or period of notice	347,145		347,145
II.	**Amounts payable to customers**	2,384,661		2,384,661
	A. Savings deposits	0		0
	B. Other amounts payable	2,384,661		2,384,661
	1. on demand	2,254,344		2,254,344
	2. at fixed term or period of notice	130,317		130,317
	3. resulting from refinancing by rediscounting of trade bills	0		0
III.	**Debt securities in issue**	0		0
	A. Bills and bonds in circulation	0		0
	B. Other	0		0
IV.	**Other amounts payable**	78,708	-49,880	28,828
V.	**Accrued charges and deferred income**	124,373		124,373
VI.	A. Provisions for risks and charges	1,887		1,887
	1. Pensions and similar obligations	1,887		1,887
	2. Fiscal charges	0		0
	3. Other risks and charges	0		0
	B. Deferred taxes	0		0
VII.	**Fund for general banking risks**	0		0
VIII.	**Subordinated liabilities**	498,658		498,658
	SHAREHOLDERS' EQUITY	2,398,240	-1,353,792	1,044,448
IX.	**Capital**	654,190	-368,692	285,498
	A. Called up share capital	654,190	-368,692	285,498
	B. Uncalled capital	0		0
X.	**Share premium account**	1,278,621	-720,614	558,007
XI.	**Revaluation surpluses**	0		0
XII.	**Reserves**	167,954	-94,462	73,492
	A. Legal reserve	17,871	-9,878	7,993
	B. Non available reserve	0		0
	1. For own shares	0		0
	2. others	0		0
	C. Untaxed reserve	0		0
	D. Available reserve	150,083	-84,584	65,499
XIII.	**Profit (loss (-)) carried forward**	297,475	-170,024	127,451
	TOTAL LIABILITIES	9,552,436	-1,403,672	8,148,764

CAPITALISATION OF EUROCLEAR BANK SA/NV

I. The following table sets out the non-consolidated capitalisation of Euroclear Bank as of 31 December 2004. These figures have been extracted without adjustment from the audited non-consolidated financial statements of Euroclear Bank as at, and for the year ended, 31 December 2004.

	31/12/2004 *(in thousands of Euros)*
Short-term, medium-term and long-term debt, eligible as tier 2 capital	498,658
Shareholder's equity:	2,398,240
Subscribed and paid-up share capital	654,190
common stock represented by 70,838 shares (authorised but unissued capital of €350,000)[(1)]	
Share premium	1,278,621
Legal reserve	17,871
Available reserves	150,083
Retained earnings	297,475
Total capitalisation	2,896,898

II. The following table sets out the non-consolidated capitalisation of Euroclear Bank as of 31 December 2004 on a pro-forma basis, taking into account the impact of the Corporate Restructuring that took place on 1 January 2005.

These figures are derived from the unaudited Pro-Forma Financial Statements as presented on pages 71-72.

	31/12/2004 *(in thousands of Euros)*
Short-term, medium-term and long-term debt, eligible as tier 2 capital	498,658
Shareholder's equity:	1,044,448
Subscribed and paid-up share capital	285,498
common stock represented by 70,838 shares (authorised but unissued capital of €350,000)[(1)]	
Share premium	558,007
Legal reserve	7,993
Available reserves	65,499
Retained earnings	127,451
Total capitalisation	1,543,106

(1) The shareholders of Euroclear Bank authorised the increase of the capital, with or without limiting or lifting of preferential rights, up to a maximum amount of €350 million by contribution in kind, in cash or by incorporation of reserves.

Other than the recognition of the current year profits in capital, there have been no material changes in the total pro-forma non-consolidated capitalisation of Euroclear Bank since 31 December 2004.

CORE EQUITY OF EUROCLEAR BANK SA/NV

I. The following table sets out the non-consolidated core equity of Euroclear Bank as of 31 December 2004. These figures are extracted without adjustment from the audited financial statements of Euroclear Bank SA/NV.

	31/12/2004 *(in thousands of Euros)*
Short-term, medium-term and long-term debt, eligible as tier 2 capital	498,658
Shareholder's equity	2,398,240
Total capitalisation	2,896,898
Adjustments for core equity:	
Intangible fixed assets	-44,246
Short-term, medium-term and long-term debt, eligible as tier 2 capital	-498,658
Financial fixed assets	-1,320,599
Total core equity	1,033,395

II. The following table sets out the non-consolidated core equity of Euroclear Bank as of 31 December 2004 on a pro-forma basis, taking into account the impact of the Corporate Restructuring that took place on 1 January 2005.

These figures are derived from the unaudited Pro-Forma Financial Statements as presented on pages 71-72.

	31/12/2004 *(in thousands of Euros)*
Short-term, medium-term and long-term debt, eligible as tier 2 capital	498,658
Shareholder's equity	1,044,448
Subscribed and paid-up share capital	285,498
common stock represented by 70,838 shares (authorised but unissued capital of €350,000)[(1)]	
Share premium	558,007
Legal reserve	7,993
Available reserves	65,499
Retained earnings	127,451
Total capitalisation	1,543,106
Adjustments for core equity:	
Intangible fixed assets	-7,527
Short-term, medium-term and long-term debt, eligible as tier 2 capital	-498,658
Financial fixed assets	-139,606
Total core equity	897,315

As evidenced in the tables above, while the total capitalisation of Euroclear Bank drops as a result of the Corporate Restructuring, its core equity largely remains unaffected.

It has always been Euroclear Bank's policy to build a strong capital base and to expand it appropriately through the diversification of its sources of capital, so that a safe relationship between total capital and the underlying risks of its business is continuously maintained. Euroclear Bank's total capital very comfortably exceeds all its regulatory requirements.

SUMMARY OF VALUATION RULES AND ACCOUNTING PRINCIPLES

The financial statements of Euroclear Bank are made up as at, and for the period ending, 31 December 2004. The valuation rules used to draw up the stand-alone accounts of Euroclear Bank are prepared in accordance with the Belgian Royal Decree of 23 September 1992 (the ''Royal Decree'') (Belgian GAAP), regarding the annual accounts of credit institutions.

This document contains the specification of the valuation rules in a number of areas where the Royal Decree allows alternative treatments, where significant management estimates are required, or which are very significant areas in the financial statements. Those areas are:

(a) income and expenditure recognition;

(b) provision for bad and doubtful debts;

(c) provisions for liabilities and charges;

(d) leasing;

(e) intangible fixed assets;

(f) tangible fixed assets;

(g) subsidiary and associated undertakings;

(h) debt securities and equity shares;

(i) sale and repurchase transactions;

(j) pensions and other post-retirement benefits;

(k) derivatives and other financial instruments;

(l) foreign currencies; and

(m) the fund for general banking risk.

(a) Income and expenditure recognition

Interest income is recognised in the profit and loss account as it accrues.

Fees receivable, which represent a return for services provided, are credited to income when the related service is performed.

Fees receivable, which represent a return for risk borne or which are in the nature of interest, are taken to the profit and loss account over the period of the loan, or on a systematic basis over the expected life of the transaction to which they relate. Expenditure is accounted for on an accruals basis.

(b) Provision for bad and doubtful debts

Specific provisions are made against advances when, in the opinion of the directors, credit risks or economic or political factors make recovery doubtful. The need to adjust provisions is reviewed regularly in the light of actual experience. The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. Bad debts are written off in part or in whole when a loss has been confirmed.

(c) Provisions for liabilities and charges

Specific provisions are recognised when a current obligation arises as a result of a past event, there is a probability of economic benefits being transferred to settle the obligation and when the amount can be reliably estimated.

(d) Leasing

Rentals payable and receivable under operating leases are accounted for on the straight-line basis over the periods of the lease.

(e) Intangible fixed assets

Intangible fixed assets are amortised in equal instalments over their estimated useful life, specifically three years for purchased software and five years for know-how.

In November 2003, Euroclear Bank entered into the development phase of the SSE project, a significant element of the Euroclear Group's future settlement infrastructure strategy. As part of the Corporate Restructuring, the related software will be transferred in January 2005 by Euroclear Bank to Euroclear SA/NV. In the standalone accounts of Euroclear SA/NV, the project cost will be capitalised as internally developed software.

While Euroclear Bank's policy for its own internally developed software continues to be to expense all costs as incurred, it has been accumulating the SSE development costs as an intangible fixed asset on its balance sheet in view of this transfer to Euroclear SA/NV.

(f) Tangible fixed assets

Freehold land is not depreciated. Depreciation of tangible fixed assets is provided on a straight-line basis over estimated useful lives as follows:

Freehold and long leasehold buildings:	25 to 40 years
Building enhancements:	20 years
Leasehold improvements:	Shorter of economic life and period of lease
Data processing and communications equipment:	3 years
Fixtures, fittings and furnishings:	7 to 10 years

(g) Subsidiary and associated undertakings

Investments in Euroclear Bank's subsidiary undertakings are stated in the parent company's stand-alone accounts at cost less, if appropriate, provision for any impairment in value.

(h) Debt securities and equity shares

Securities and shares intended for use on a continuing basis in the Euroclear Group's activities are classified as investment securities and are stated at cost less provision for any impairment in value. The carrying value of dated investment securities is adjusted over the period to maturity, to allow for the amortisation of premiums or discounts on an actuarial basis. Such amortisation is included in interest receivable.

(i) Sale and repurchase transactions

Securities that have been sold with an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse repurchase transactions are not recognised in the balance sheet and the purchase price is treated as a loan. The difference between the sale price and repurchase price is accrued evenly over the life of the transaction and charged or credited to the profit and loss account as interest payable or receivable.

(j) Pensions and other post-retirement benefits

The Euroclear Group operates a pension plan providing benefits based on final pensionable salary. The assets of the plan are held separately from those of the Euroclear Group.

Pension plan assets are measured using market value. Pension plan liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Euroclear Group's defined benefit pension plan to arise from employee service in the period is charged to the operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income. The Euroclear Group also operates several defined contribution plans, charging contributions to the profit and loss account as they become payable in accordance with the rules of the plan.

The Euroclear Group provides post-retirement benefits in the form of health care plans to eligible employees.

The cost is assessed in accordance with the advice of qualified actuaries and is recognised on a systematic basis over employees' service lives.

(k) Derivatives and other financial instruments

For hedging purposes, transactions are undertaken in derivative financial instruments (''derivatives''), which include interest rate swaps, cross-currency swaps, futures, options and similar instruments. A derivative is designated as non-trading as there is an offset between the effects of potential movements in market rates on the derivative and the designated non-trading asset, liability or position being hedged. Non-trading derivatives are reviewed regularly for their effectiveness as hedges.

Under a derogation granted by the Belgian Banking, Finance and Insurance Commission to Article 36 bis, § 2 of the Royal Decree, derivatives entered into for the purposes of asset and liability management can be accounted for as hedges.

Non-trading derivatives are accounted for on an accruals basis, consistent with the assets, liabilities or positions being hedged. Income and expense on non-trading derivatives are recognised as they accrue over the life of the instruments as an adjustment to the income or expense of the hedged item.

Where a non-trading derivative no longer represents a hedge because either the underlying non-trading asset, liability or position has been derecognised, or the effectiveness of the hedge has been undermined, it is restated at fair value and any change in value is taken directly to the profit and loss account and reported within ''Profit from (loss on) financial operations''. Thereafter, the derivative is classified as trading or redesignated as a hedge of a non-trading item and accounted for accordingly.

In other circumstances, where non-trading derivatives are terminated, any resulting gains and losses are amortised over the remaining life of the hedged asset, liability or position. Unamortised gains and losses are reported within ''Other assets'' and ''Other liabilities'' on the balance sheet.

Derivatives hedging anticipatory transactions are accounted for on a basis consistent with the relevant type of transaction (i.e. gains and losses are not recognised until the period in which the anticipated transactions occur). When anticipatory transactions do not actually occur, related derivatives are restated at fair value and changes in value are taken directly to the profit and loss account and reported within ''Profit from (loss on) financial operations''. Where retained, such derivatives are reclassified as trading or designated as a hedge of a non-trading item and accounted for accordingly.

(l) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into euros at rates prevailing at the balance sheet date. Profit and loss amounts in foreign currencies are translated into euros at the rates prevailing on the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies are translated into euros at historical exchange rates.

Spot foreign exchange contracts are translated into euros at market rates and the resulting gains or losses are taken into the profit and loss account.

(m) Fund for general banking risk

Additions to, and the uses of, a fund for general banking risk are determined by the board of directors of Euroclear Bank.

MANAGEMENT, EMPLOYEES AND PREMISES OF EUROCLEAR BANK

Board of directors of Euroclear Bank

The current directors of Euroclear Bank are as follows:

Directors		Other interests
Pierre Francotte (Chairman)	Non-executive director	United Fund for Belgium (ASBL); Fondation Wiener Anspach
Ignace Combes	Non-executive director	TransConstellation ASBL; LCH.Clearnet Group Limited
Tim May	Non-executive director	Association of Private Client Investment Managers and Stockbrokers (APCIMS)
Wim Claeys	Non-executive director	None
Jean-Jacques Verdickt	Non-executive and independent director	Magotteaux International SA; Magotteaux International Participations (MIP); Alcatel Bell NV; Business Solution Builders SA; Telespace Aero SA; Union Wallonne des Entreprises; Agence pour le Commerce Extérieur (ACE); Logiver SA
Martine Dinne	Executive director	None
Frederic Hannequart	Executive director	None
Yves Poullet	Executive director	Ziekenhuis Inkendaal – Koninklijk Instelling VZW

All the directors other than Jean-Jacques Verdickt are employees of one or more members of the Euroclear Group.

The full board of directors is expected to meet at least four times a year. The board has, in accordance with Belgian law, established the following committees:

(a) Management Committee: The composition of, and terms of reference for, the Management Committee are set by the board. The articles of association of Euroclear Bank document the establishment of the Management Committee and also contain a list of the powers reserved to the board. The Management Committee consists of the three executive directors and is responsible for the management of the business of Euroclear Bank within its overall strategy and general policy, as decided by the Board, and for implementing such overall strategy and general policy. The Management Committee has delegated day-to-day management tasks to the chief executive officer, individual committee members, heads of division and the compliance officer. The Management Committee has in turn established the following sub-committees:

  (i) The operating committee, which provides cross-divisional operating oversight and makes decisions relating to daily operations, service delivery, productivity and operational controls. The operating committee monitors issues related to the end-to-end service delivery from a risk, quality and productivity point of view. It also monitors the implementation of security policy.

  (ii) The risk assessment committee, which advises the Management Committee on the risk implications of all new products and services.

(iii) The credit committee, which monitors the implementation of all credit-related policies and is responsible for allocating credit capacity, overseeing credit quality and reviewing new credit lines with clients, cash correspondents and other clearing systems.

(iv) The assets and liabilities committee, which, within the policy framework set by the Management Committee, is responsible for strategic balance sheet management, oversight of the market activities performed by Euroclear Bank, ensuring actual implementation of the market and liquidity risk policy, the interest rate policy and the forex management policy, and approving, or requesting approval for policy updates.

(v) The admission committee, which makes recommendations to the Management Committee on all new client admissions.

(b) The Audit Committee: this committee is responsible for reviewing accounting policies and controls, the performance of external and internal auditors, changes in accounting policies and practices, financial statements, the effectiveness of internal controls and risk management and compliance. The Audit Committee is composed of three non-executive directors and one observer and is expected to meet four to six times a year.

The full board of directors of Euroclear SA/NV, Euroclear Bank's holding company, is expected to meet at least four times a year. It is responsible for setting and implementing Euroclear Group strategy, the objectives for Euroclear Group internal controls and Euroclear Group policies, and for ensuring appropriate implementation by the Management Committee of Euroclear Bank. The board has in turn established the following committees:

(a) The Executive Committee, which is responsible for overseeing the operational activities of the Euroclear Group and reviewing the performance of the Management Committee of Euroclear Bank and of the CSDs. It also reviews the policies adopted by the board of Euroclear Bank and provides related advice.

(b) The Audit Committee, which is responsible for the same matters as described above in respect of Euroclear Bank, but which is composed of four non-executive directors of Euroclear SA/NV.

(c) The Business Model Implementation Committee, which monitors the implementation of the Business Model as it relates to the integration of the CSDs to the Euroclear Group, the development of the SSE and the overall development of domestic services.

(d) The Risk Policy Committee, which is responsible for reviewing policies and limits relating to credit, market, operational, liquidity, investment and legal risks and for making recommendations to the board, Executive Committee and management of Euroclear SA/NV, and to the board of Euroclear Bank, on such policies.

(e) The Strategy Committee, which, when required, prepares certain strategic topics for discussion by the boards of Euroclear SA/NV and Euroclear plc.

In addition, the Executive Committee has established the Executive Compensation Committee, which makes recommendations to the Executive Committee regarding remuneration and other terms of employment for executive directors of Euroclear SA/NV, as well as reviewing management succession planning and recommending remuneration policies for employees of the Euroclear Group in general.

Employees

Following the Corporate Restructuring (see ''History of the Euroclear Group''), which involved the transfer of approximately 990 employees of Euroclear Bank to Euroclear SA/NV, as at the date of this Offering Circular, Euroclear Bank has approximately 900 employees. Most of these employees are based in Brussels, whilst approximately 44 are based in representative offices.

Premises

The principal premises of Euroclear Bank are located at 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The premises have been leased by Calar Cabesa Partners (a partnership which is 51 per cent. owned by Calar Belgium SA/NV). The present lease expires on 30 November 2012.

TAXATION

The statements herein regarding taxation in Belgium and Luxembourg are based on the laws in force in Belgium and the Grand Duchy of Luxembourg, respectively as of the date of this Offering Circular and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Securities. Each prospective holder or beneficial owner of Securities or Coupons should consult its tax advisor as to the Belgian and/or Luxembourg tax consequences of the ownership and disposition of the Securities or Coupons.

Luxembourg

The Issuer has been advised that under existing Luxembourg law:

The Issuer is subject to the tax regime applicable in Luxembourg for securitisation vehicles as implemented by the Law of 22 March 2004.

The Issuer is subject to Luxembourg corporate income tax at the ordinary corporate income tax rate (currently 30.38 per cent.). Its taxable basis may however be reduced to nil by way of deduction of interest paid to the Securityholders and other deductible expenses (including dividends, if any, paid to its shareholders).

The Issuer is exempt from Luxembourg net wealth tax.

The Issuer will, in principle, benefit from the double tax treaties concluded by Luxembourg as a Luxembourg resident company. It should however be verified when invoking a double tax treaty whether the other contracting state takes the same position under its interpretation of the double tax treaty.

1. Luxembourg Tax Residency of the Holders of the Securities or the Holders of the Coupons

A holder of the Securities or a holder of the Coupons will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Securities or Coupons, or the execution, performance, delivery and/or enforcement of the Securities or Coupons.

2. Withholding Tax

Under Luxembourg tax law currently in effect, there is no withholding tax for Luxembourg resident and non-resident holders of the Securities or holders of the Coupons on payments of interests (including accrued but unpaid interest). There is also no Luxembourg withholding tax payable on payments received upon repayment of the principal or upon redemption of the Securities.

Luxembourg withholding tax may in the future be introduced for interest payments made to Luxembourg individual residents.

3. Taxes on Income and Capital Gains

A holder of a Security or a holder of a Coupon will not be subject to any Luxembourg taxes on income or capital gains in respect of any payment under the Security or Coupon or in respect of any gain realised on the disposal of the Security or Coupon, provided that:

(a) such holder is not a resident or in certain circumstances a former resident of Luxembourg;

(b) such holder does not have an enterprise or an interest in an enterprise which, in whole or in part, is carried on through a permanent establishment or a permanent representative in Luxembourg and to which enterprise or part of an enterprise the Securities or Coupons are attributable.

4. Net Wealth Tax

A holder of a Security or a holder of a Coupon will not be subject to Luxembourg net wealth tax in respect of such Security or Coupon, provided that the conditions mentioned under 3(a) and (b) above are met.

5. Gift, Estate or Inheritance Taxes

No gift, estate or inheritance taxes will arise in Luxembourg in respect of the transfer of a Security or Coupon upon the death of a holder of the Securities or a holder of the Coupons who is not a resident of Luxembourg.

6. Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of the Securities or holders of the Coupons as a consequence of the issuance of the Securities, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Securities or transfer of the Coupons.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Securities or in respect of the payment of interest or principal under the Securities or the transfer of the Securities or Coupons. Luxembourg value added tax will, however, be payable in respect of fees charged for certain services rendered to the Issuer, if, for Luxembourg value added tax purposes, such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services. Under Luxembourg VAT law, fees for management services rendered to Luxembourg securitisation companies are exempt from Luxembourg VAT.

7. EU Savings Directive

On 3 June 2003, the Council of the European Union adopted the Council Directive 2003/48/EC regarding the taxation of savings income (the "Savings Directive"). According to the Savings Directive, member states of the European Union (''Member States'') will be required as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest within the meaning of the Savings Directive (interest, premiums or other debt income) made by a paying agent within its jurisdiction to an individual resident in that other Member State (the "Disclosure of Information Method"). However, throughout the transitional period, certain Member States (Luxembourg, Belgium and Austria), as well as certain non Member States, that have signed an agreement with Member States (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) for applying similar measures to the ones included in the Savings Directive, will withhold an amount on interest payments instead of using the Disclosure of Information Method, except if the beneficiaries of the interest payments opt for the Disclosure of Information Method. The rate of such withholding tax would equal 15 per cent. for the first three years after the date of implementation of the Savings Directive, this rate being increased to 20 per cent. 3 years after the date of implementation of the Savings Directive and to 35 per cent. 6 years after the date of implementation of the Savings Directive. Such transitional period will end if and when the European Union enters into agreements on exchange of information upon request with several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) and when the Council of the European Union agrees that the United States is committed to use the Disclosure of Information Method. On 12 April 2005, the draft law implementing the Savings Directive has been approved. The law has not yet entered into force.

Belgium

The Guarantor has been advised that under existing Belgian law:

1. Income Tax

(a) Payments by the Issuer of interest or principal received outside Belgium or in a Euroclear System cash account by a non-Belgian resident without any permanent establishment in Belgium will be made free of any Belgian withholding tax. In the event that Securities are deposited by a non-resident company or individual with a Belgian credit institution, interest paid to such non-resident company or individual is not taxable in Belgium provided that a certificate is filed with the depository of the Securities, whereby it is stated that (i) the depositor is a non-resident, (ii) the Securities are not held in connection with the carrying out of its business activities in Belgium, and (iii) either it or the beneficiary of interest has the full ownership or enjoyment of the benefit (''*usufruit*'') of the Securities.

(b) Under current Belgian tax law, no Belgian withholding tax is due on the payment of principal or interest in respect of the Securities by the Issuer if the interest is cashed out without the

intervention of a Belgian paying agent. If, however, the Securityholder is a Belgian individual subject to Belgian personal income tax, the interest income must be declared in his Belgian tax return and will generally be taxed at a rate currently fixed at 15 per cent., plus municipal taxes. In the event that the Securityholder is a resident individual who holds the Securities as part of a business activity, the income will be taxed at the normal progressive income tax rates applicable to him.

The payment of interest in respect of Securities by a Belgian paying agent is in principle subject to Belgian withholding tax at a rate currently fixed at 15 per cent.

(c) Under current Belgian tax law, no Belgian withholding tax is due on the payment of interest or principal in respect of the Securities by the Issuer to a Belgian resident company, if the interest is cashed out without the intervention of a Belgian paying agent. Nor will any withholding tax be due if the interest is cashed out with the intervention of a Belgian paying agent, provided that a certificate stating that (i) the beneficiary is subject to Belgian corporate tax and (ii) the Securities are held in connection with the carrying out of business activities in Belgium, is filed with the relevant paying agent (Article 117, §12 of the Royal Decree to the Belgian Income Tax Code).

If the Securityholder is a Belgian company subject to Belgian corporate income tax, the interest income will be taxed at the normal Belgian corporate income tax rate (currently 33.99 per cent.).

(d) Under current Belgian tax law, no Belgian withholding tax is due on the payment of interest or principal in respect of the Securities by the Issuer to a Belgian branch of a foreign company subject to Belgian income tax on non-residents, if the interest is cashed out without the intervention of a Belgian paying agent. Nor will any withholding tax be due if the interest is cashed out with the intervention of a Belgian paying agent, provided that a certificate stating that (i) the beneficiary is subject to Belgian non-resident income tax and (ii) the Securities are held in connection with the carrying out of business activities in Belgium, is filed with the relevant paying agent (Article 117, §12 of the Royal Decree to the Belgian Income Tax Code).

If the Securityholder is a Belgian branch of a foreign company subject to Belgian income tax on non-residents, the interest will be taxed at the normal rate of the Belgian income tax on non-residents (currently 33.99 per cent.).

(e) If the Securityholder is a Belgian legal entity subject to the Belgian income tax on legal entities (''*rechtspersonenbelasting*''/''*impôt des personnes morales*'') the payment of interest in respect of Securities is subject to Belgian withholding tax at the rate of 15 per cent., which must be withheld by the receiving legal entity itself (Article 262 of the Belgian Income Tax Code).

The payment of interest in respect of Securities by a Belgian paying agent is subject to Belgian withholding tax at the rate of 15 per cent. In that event the receiving legal entity will no longer be obliged to withhold the withholding tax itself.

Under current Belgian tax law, no Belgian withholding tax is due on the payment of principal to a Securityholder subject to the Belgian income tax on legal entities.

(f) It can be reasonably argued that the Guarantor will not be liable for any taxes including withholding taxes or other government charges due under the laws of Belgium or any authority of, or in Belgium, in respect of payments of interest made under the Guarantee contained in the Trust Deed, as a compensation of any sum which the relevant issuer is at any time liable to pay as an indemnity.

As regards (e), it can be reasonably argued that the Belgian legal entity will not have to withhold the Belgian withholding tax in respect of payments of interest made under the Guarantee contained in the Trust Deed, as a compensation of any sum which the relevant Issuer is at any time liable to pay as an indemnity.

No Belgian withholding tax is due on the payment of principal by the Guarantor under the Guarantee contained in the Trust Deed.

2. Transfer Tax

A tax on stock exchange transactions (''*taxe sur les opérations de bourse*'') at the rate of 0.07 per cent. (in relation to Securities in bearer or registered form subject to a maximum of €500 per party and per transaction) will become due upon the sale, the purchase, the exchange or any transfer for consideration of Securities entered into or settled in Belgium, in which a professional intermediary acts for either party. A separate tax is due from each party to any such transaction (the seller and the purchaser, the transferor and the transferee), both collected by the professional intermediary.

However, the tax on stock exchange transactions referred to above will not be payable by exempt qualifying financial institutions acting for their own account, including investors who are not Belgian residents and certain Belgian institutional investors, as defined in Articles 126-1, 2º and 139 respectively of the code of taxes assimilated to stamp tax (''*Code des taxes assimilées au timbre*'').

3. Tax on the Physical Delivery of Bearer Securities

A tax is levied upon the physical delivery of bearer securities pursuant to their acquisition for consideration through a professional intermediary in Belgium. The same tax applies to the conversion of registered securities into bearer securities and to the physical delivery of bearer securities pursuant to a withdrawal of these securities from open custody.

The tax on the delivery of bearer securities is due at the rate of 0.6 per cent., either on the sums payable by the purchaser (in the case of purchase of the Securities), or on the sales value of the securities as estimated by the custodian in the case of a withdrawal from open custody (or by the person asking for the conversion in case of conversion of registered securities into bearer securities). The tax is due by the issuer, the professional intermediary or the custodian.

The physical delivery of bearer securities to recognised professional intermediaries (such as credit institutions), acting for their own account, is exempt from the above tax (Article 163, 2º of the code of taxes assimilated to stamp tax).

4. Gift, Estate or Inheritance Tax

Except for the gift tax payable in the case of a gift by notarial deed executed in Belgium, no gift, estate or inheritance tax is due in Belgium in respect of Securities, unless a Securityholder is resident in Belgium at the time of his death.

5. Registration Tax

A registration tax at the rate of 3 per cent. would be due on any amount awarded by judgement rendered or enforced by a Belgian court if such amount exceeds €12,500. The tax is due jointly from the plaintiff and the defendant, but, in the case of the plaintiff, only up to half of the amount is actually collected on the judgement. Commencement of legal proceedings in Belgium and enforcement of a judgement also gives rise to certain nominal filing charges and notification fees.

SUBSCRIPTION AND SALE

J.P. Morgan Securities Ltd. and Deutsche Bank AG, London Branch (the ''Managers'') have, pursuant to a Subscription Agreement dated 8 June 2005 (the ''Subscription Agreement''), jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Securities at 100 per cent. of their principal amount. In connection with the issue of the Securities a combined management and underwriting commission of 0.55 per cent. of such principal amount will be paid by the Issuer to the Managers. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Securities. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States of America

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Securities are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by United States tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (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 (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, United States persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, United States persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that:

1. it has not offered or sold and, prior to the date six months after the issue of the Securities, will not offer or sell any Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

2. 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 Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

3. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Belgium

Each Manager has represented and agreed that it has not taken and will not take any steps which would constitute or result in a public offering of the Securities in Belgium.

Each Manager has represented and agreed that it has not been offered, transferred or sold and will not offer, transfer or sell any Securities in or from Belgium to any individual or legal person as part of their initial distribution or at any time thereafter, other than (i) to persons who are listed under

Article 3.2 of the Belgian Royal Decree of 7 July 1999 relating to the public character of financial transactions or (ii) for a minimum investment of €250,000 per investor and per transaction in accordance with Article 3.1 of the same Royal Decree.

Luxembourg

Each Manager has represented and agreed it has not offered, transferred or sold and will not offer, transfer or sell Securities in or from Luxembourg to any individual or legal person as part of its initial distribution or at any time thereafter, other than to persons who trade or invest in securities in the course of a profession or trade, which includes banks, brokers, dealers, insurance companies, pension funds, other institutional investors and commercial enterprises which regularly, as an ancillary activity, invest in securities.

No public offer or sale of any Securities, or distribution of any offering material relating thereto, will be made in or from Luxembourg, except in relation to Securities in respect of which the requirements of Luxembourg law concerning public offerings of securities have been met.

Germany

The Securities have not been and will not be publicly offered in the Federal Republic of Germany and, accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the Securities in the Federal Republic of Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (*Wertpapier-Verkaufsprospektgesetz*, the ''Prospectus Act''), has been or will be published or circulated in the Federal Republic of Germany. Each Manager has represented and agreed that it has only offered and sold and will only offer and sell the Securities in the Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the Securities in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

Italy

The offering of the Securities has not been cleared by the *Commissione Nazionale per le Società e la Borsa* (''CONSOB'') (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, the Securities may not be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Securities be distributed in the Republic of Italy (''Italy''), except:

(i) to professional investors (''*operatori qualificati*''), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July 1998 (the ''CONSOB Regulation No. 11522''), as amended; or

(ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the ''Financial Services Act'') and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Moreover, any offer, sale or delivery of the Securities or distribution of copies of this Offering Circular or any other document relating to the Securities in Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, the CONSOB Regulation No. 11522 and Legislative Decree No. 385 of 1st September, 1993 (the ''Banking Act''), as amended;

(b) made in compliance with Article 11 of the Banking Act, pursuant to which the deposit-taking activity can be carried out only by duly passported/authorised intermediaries (currently the Issuer is neither authorised nor has it activated its ''passport'' under the relevant European Directives to carry out deposit-taking activity in Italy);

(c) made in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of securities in Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in Italy and their characteristics (no such notification has been made);

(d) made in compliance with Article 115 of the Banking Act, as implemented by Bank of Italy Regulation of 30 July 1999, as amended by the resolution of *Comitato Interministeriale per il Credito e il Risparmio* (CICR) of 4 March 2003 and by Bank of Italy Regulation of 25 July 2003; and

(e) made in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and in compliance with any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

General

No action has been taken or will be taken in any jurisdiction by the Managers, the Guarantor or the Issuer that would permit a public offering of the Securities, or possession or distribution of this document or any amendment or supplement thereto or any offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required. Each Manager has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it offers, sells or delivers Securities or has in its possession or distributes this document any such other material, in all cases at its own expense. Each Manager has agreed to obtain any consent, approval or permission required by it for the acquisition, offer, sale or delivery by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Manager is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in this document or any amendment or supplement to it or any other material approved by the Issuer and/or Guarantor for use in connection with the offering of the Securities.

GENERAL INFORMATION

1. The Securities have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems. The common code for the Securities is 021984736 and the International Securities Identification Number for the Securities is XS0219847364.

2. In connection with the application to list the Securities on the Luxembourg Stock Exchange, a legal notice relating to the issue of the Securities and copies of the Articles of Association of the Issuer and an English translation of the constitutive documents of the Guarantor will be deposited with the Chief Registrar of the District Court in Luxembourg (*Trade and Companies Register*) where such documents may be examined and copies obtained.

3. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in Luxembourg and Belgium in connection with the issue and performance of the Securities and the Guarantee. The issue of the Securities was authorised by a resolution of the board of directors of the Issuer passed on 18 May 2005 and the giving of the Guarantee by the Guarantor was authorised by a resolution of the board of directors of the Guarantor passed on 23 March 2005.

4. Except as disclosed in this document there has been no significant change in the financial or trading position of the Issuer since the date of its incorporation or of the Guarantor since 31 December 2004 and no material adverse change in the financial position or prospects of the Issuer or of the Guarantor since 31 December 2004.

5. Neither the Issuer nor the Guarantor is involved in any litigation or arbitration proceedings which may have or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Issuer or of the Guarantor nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

6. The Parent Company has executed a Deed Poll dated 10 June 2005 (the ''Deed Poll'') for the benefit of the Trustee pursuant to which the Parent Company has agreed not to give notice to terminate the Licence Agreement (as defined in the Terms and Conditions of the Securities) unless, as at the date of termination of the Licence Agreement (i) the Guarantee has been assumed by the Substitute Guarantor in accordance with the Terms and Conditions of the Securities or (ii) the Licence Agreement has been replaced by a new licence agreement with the Guarantor as the licensee on, in the opinion of the Trustee (acting without liability on the advice of an independent financial or other expert adviser in forming such an opinion), substantially the same terms as the Licence Agreement.

   The Parent Company has also agreed that, beginning on the date on which the Issuer gives a Deferral Notice and continuing until Coupons representing in aggregate one calendar year's interest have been paid in full since the date of the Deferral Notice, the Parent Company (i) shall not declare or pay any dividend or other payment in respect of its Junior Securities or Parity Securities, (ii) shall not redeem, repurchase or otherwise acquire any of its Junior Securities, Parity Shares or other securities having the benefit of a Parity Guarantee (other than pursuant to a Permitted Share Acquisition) and (iii) shall not vote, and shall procure that no vote is made by any of its Subsidiaries, in favour of any of the declarations, payments, redemptions, repurchases or acquisitions described in clauses (i) and (ii) above; *provided that* the foregoing restriction shall not apply, if less than the full amount of interest is paid on the Securities on any Interest Payment Date, to a distribution of a partial dividend, in the same proportion on any Set Rate Parity Securities during the period beginning on such Interest Payment Date and ending on the next succeeding Interest Payment Date. For the avoidance of doubt, this ''dividend stopper'' provision shall prevent the payment of a partial dividend in respect of any Parity Securities that are not Set Rate Parity Securities unless full coupons have been paid on the Securities for the preceding period of 12 months.

   Copies of the Deed Poll may be inspected at the specified offices of the Paying Agent and the Trustee.

7. The Securities, Coupons and Talons will bear the following legend: ''Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code''.

8. Copies of the audited consolidated and non-consolidated report and accounts of the Guarantor for the two years ended 31 December 2004 may be inspected at the specified offices of the Paying Agent and the Trustee.

9. For so long as any of the Securities remains outstanding, copies of the latest annual consolidated and non-consolidated report and accounts of the Guarantor, any recent and future interim non-consolidated accounts published by the Guarantor (if any) and the latest annual consolidated and non-consolidated report and accounts of the Issuer may be obtained free of charge at the specified office of the Paying Agent in Luxembourg. In addition, copies of the constitutional documents of the Issuer and the Guarantor and copies of the Trust Deed, Deed Poll and the Paying Agency Agreement will be available for inspection at such offices during normal business hours on any weekday (except Saturdays, Sundays and public holidays).

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