

# BASE PROSPECTUS

## PUBLINVEST NV

(a *société anonyme/naamloze vennootschap* incorporated in Belgium)

Secured Note Issuance Programme (the "**Programme**")

€2,500,000,000

Publinvest NV (the "**Issuer**") may from time to time issue notes (the "**Notes**") under the Programme. The Notes will be issued in one of three series (each a "**Series**" and together, the "**Series**") and each Series will have one or more tranches (each a "**Tranche**" and together, the "**Tranches**"). Notes may be issued to the person or persons appointed as a dealer for a specific Series (each, a "**Dealer**" and together, the "**Dealers**") or to the other subscribers to such Series, as specified in the applicable final terms relating thereto (the "**Final Terms**"). All Notes issued under the Programme will have a specified legal final maturity date (the "**Scheduled Maturity Date**"). The Notes will be issued in denominations of €100,000 (or the equivalent thereof in any other OECD currency).

Application may be made to NYSE Euronext Brussels NV/SA to admit the Notes of any Tranche to listing on the regulated market of NYSE Euronext Brussels NV ("**NYSE Euronext Brussels**"). Prior to admission to listing by NYSE Euronext Brussels there will be no public market for the Notes.

This Base Prospectus constitutes a prospectus for the purposes of the Belgian law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on a regulated market (the "**Prospectus Act**") and the listing and issuing rules of NYSE Euronext Brussels (the "**Listing Rules**"). Application may also be made to list the Notes on any other stock exchange.

The Notes will be issued in dematerialised form in accordance with the Belgian Company Code (*Wetboek Vennootschappen/Code de Sociétés*) (the "**Belgian Company Code**").

The Notes will be represented exclusively by book entries and may only be held by an Eligible Holder (as defined below) holding such Notes directly through an X-Account held within the X/N System (as defined below) or indirectly through the holder of an X-Account.

This Base Prospectus has been approved by the Belgian Financial Services and Markets Authority ("**FSMA**") on 10 December 2013. Such approval should not be considered as a judgment as to the viability of the transactions described in this Base Prospectus, the situation or prospects of the Issuer or the qualities or characteristics of the Notes of any Tranche.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), nor with the securities regulatory authority of any state or other jurisdiction of the United States of America and the Notes may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws. Each investor in the Notes will be deemed to have made the representations described in "Distribution and Sale" at page 139.

The Notes will be rated by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("**S&P**") and/or Moody's Investors Service Limited ("**Moody's**") and/or Fitch Ratings Limited ("**Fitch**") and/or DBRS, Inc. ("**DBRS**"). Each of S&P, Moody's, Fitch and DBRS is established in the European Union and is registered under the Regulation (EC) No 1060/2009 (as amended, the "**CRA Regulation**"). As such, each of S&P, Moody's, Fitch and DBRS is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) in accordance with the CRA Regulation. The Notes may also be rated by other credit rating organisations which comply with the CRA Regulation (together with S&P, Moody's, Fitch and DBRS, the "**Rating Agencies**" and each a "**Rating Agency**"). The Rating Agencies appointed in respect of any Tranche will be specified in the Final Terms applicable to that Tranche and the Rating Agencies rating any Tranche may be different from the Rating Agencies rating any other Tranche. A rating of any Notes is not a recommendation to buy, sell or hold such Notes and may be subject to suspension, change or withdrawal at any time by the assigning Rating Agency.

The Issuer may agree with any Dealer and the Stichting Trustee Publinvest (the "**Trustee**") as trustee for the holders of the Notes that the Notes may be issued in a form not contemplated in the Terms and Conditions of the Notes as set out in this Base Prospectus, in which event, in the case of Notes listed on a regulated market, a new prospectus, or an update of this Base Prospectus, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Joint Arrangers and Lead Managers

AgFe

ING Bank N.V.  
Belgian Branch

The date of this Base Prospectus is 10 December 2013

## IMPORTANT INFORMATION

This Base Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area).

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Base Prospectus contains all material information with respect to the Issuer and the Notes, save, in respect of each individual Tranche of Notes, as contained in the relevant Final Terms. The Base Prospectus and the relevant Final Terms will contain all information which, according to the nature of the Issuer and of any Tranche of Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer in relation to any Tranche of Notes. The information contained or incorporated in this Base Prospectus is true and accurate in all material respects as at its date and is not misleading and the opinions and intentions expressed in this Base Prospectus are honestly held by the Issuer. There are no other facts the omission of which would make this Base Prospectus or any of such information or the expression of any such opinions or intentions misleading.

None of the Trustee, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, AgFe LLP in its capacity as manager of the Issuer on the date of this Base Prospectus (the "**Issuer Manager**") nor any Dealer has or will have separately verified the information contained in this Base Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is or will be made and no responsibility or liability is or will be accepted by any of the Trustee, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, the Issuer Manager or any Dealer as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the issuance of any Tranche. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer in respect of the information contained in this Base Prospectus.

No person is or has been authorised by the Issuer, the Trustee, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, the Issuer Manager or any Dealer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the issuance of any Tranche and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, any Dealer, the Issuer Manager or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issuance of any Tranche is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Trustee, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, the Issuer Manager or any Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer in relation to the Notes that it is contemplating a purchase of. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issuance of any Tranche constitutes an offer or invitation by or on behalf of the Issuer, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, the Issuer Manager, any Dealer or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in this Base Prospectus concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing such information. ING Belgium (in its various capacities), the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. The Issuer Manager shall undertake such a review only to the extent required as part of the Issuer Manager Services (as described below).

The distribution of this Base Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made or given by the Issuer, ING Belgium (in its various capacities), ING Bank N.V. Belgian Branch, the Trustee, the Issuer Manager or any Dealer that this Base Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in such jurisdiction, or pursuant to an exemption thereunder, and none of them assumes any responsibility in relation to such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee, the Issuer Manager or any Dealer which would permit a public offering of the Notes or distribution of the Base Prospectus. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material will be distributed or published, in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

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

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investors in the Notes and the information contained in this Prospectus or any Final Terms;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (a) the Notes constitute lawful investments for it; (b) the Notes can be used as collateral for various types of borrowing; (c) other restrictions apply to any investment in or grant of any security interest in respect of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any risk-based capital or similar rules.

#### **LOANS TO ENTITIES GUARANTEED BY THE FLEMISH REGION AND THE WALLOON REGION**

The Issuer may make Loans (as defined below) to entities whose obligations to pay interest on and repay principal of such Loans will be guaranteed by the Flemish Region (as defined below) or the Walloon Region (as defined below). Each of the Flemish Region and the Walloon Region have their own listed debt issuance programmes.

#### **LOANS TO ENTITIES GUARANTEED BY THE BRUSSELS CAPITAL REGION**

The Issuer may make Loans to entities whose obligations to pay interest on and repay principal of such Loans will be guaranteed by the Brussels Capital Region (as defined below). However, until such time as the Brussels Capital Region issues its own listed debt instrument any Related Notes (as defined below) will be issued pursuant to a standalone prospectus and will not be part of the Programme.

#### **FORWARD LOOKING STATEMENTS**

Certain statements contained in this Base Prospectus, including any forecasts, projections, descriptions or statements regarding the possible future results of operations, any statement preceded by, followed by or including the words "believes", "expects", "plans" or "will" or similar expressions, and other statements that are not historical facts, are or may constitute "forward-looking statements". Since such statements are inherently subject to risks and uncertainties, and actual results may differ from those expressed or implied by such forward-looking statements. Although the Issuer believes that such statements are reasonable, as at the date of this Base Prospectus, the Issuer can give no assurance that such statements will prove to be correct. Important factors that could cause actual results to differ from such statements are disclosed in this Base Prospectus, including, without limitation, those contained in the section entitled "**Risk Factors**" at page 23.

Each investor in the Notes will be deemed to have agreed that it has read and understood the description of the assumptions and uncertainties underlying such forward looking statements and to have acknowledged that the Issuer is under no obligation to update such information.

All references in this Base Prospectus, or any Final Terms, to "**U.S. dollars**", "**USD**", "**U.S.\$**" and "**U.S. cents**" are to the currency of the United States of America, those to "**Sterling**", "**Pounds Sterling**", "**Pounds**" and "**£**" are to the currency of the United Kingdom and those to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

All references in the Base Prospectus, or any Final Terms, to any law, rule or regulation are to laws, rules and regulations of the Kingdom of Belgium unless otherwise stated.

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## GENERAL DESCRIPTION OF THE PROGRAMME

*This general description must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole. Where a claim relating to information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Base Prospectus before the legal proceedings are initiated.*

*The general description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular issuance of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes as set out in this Base Prospectus, in which event, in the case of listed Notes only and if appropriate, a new base prospectus will be published which will describe the effect of the agreement reached in relation to such Notes.*

The Programme involves the issuance of the Notes by the Issuer.

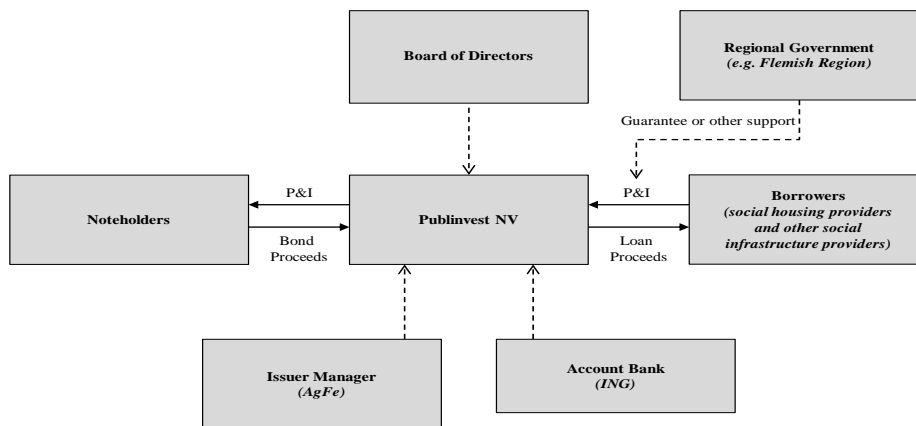
The Issuer will, as described in further detail below, issue the Notes from time to time and will use the proceeds of such issuance to fund the Loans to Borrowers (as defined below). The payment of interest on and the repayment of principal of any Notes will be funded from the payment of interest on and the repayment of principal of the Loan made using the proceeds of such issuance of Notes (each a "**Related Loan**" and together, the "**Related Loans**") and the obligations of the Issuer in respect of any issuance of Notes will be secured by its rights in respect of the Related Loan and the cash-flow generated by it. For the avoidance of doubt, the Issuer will use the proceeds of issuing any one Tranche of Notes to make a single Related Loan. In the event that any Loan does not perform as expected in terms of payment of interest and/or repayment of principal, the Issuer will be unable to pay interest on and/or repay the principal of the Notes used to provide such funding (the "**Related Notes**"). The performance of the Notes is therefore related to and dependant on the performance of the Related Loans and the Notes will "match" in terms of reference rate, duration, interest accrual periods and currency, the Related Loan. As described in further detail below, the performance of the Loans will ultimately depend on the guarantees provided by the Belgian Regions (as defined below) in respect of the payment obligations of the Borrowers in respect of the Loans (the "**Regional Guarantees**"). The Issuer will only make Loans which benefit from the Regional Guarantees.

The operations of the Issuer are managed by the Issuer Manager and are, in relation to the most material functions, subject to the oversight of the Issuer's board of directors (the "**Board of Directors**"). The Issuer Manager is required to perform prescribed tasks for the Issuer in accordance with the terms of an agreement between, among others, it and the Issuer (the "**Issuer Management Agreement**") which also prescribes the standard to which the Issuer Manager is required to perform its services and the circumstances under which an incumbent Issuer Manager can be replaced. The corporate governance of the Issuer is designed to ensure that all major decisions taken by the Issuer Manager are reviewed, before they are acted upon, by the Board of Directors, who will be provided with such information and advice as it may require for the discharge of its functions and which, ultimately, has the ability to replace the incumbent Issuer Manager in the way prescribed under the Issuer Management Agreement. The Issuer Manager and the Board of Directors together constitute the means by which the operations of the Issuer will be undertaken and the Board of Directors will meet regularly, both in accordance with a specified time schedule and on additional occasions as necessary, so as to discharge its functions. Save to the limited extent described in this Base Prospectus, neither ING Belgium SA/NV ("**ING Belgium**") nor ING Bank N.V. Belgian Branch will play a role

in the operations of the Issuer and takes no responsibility for the performance of the Notes, the Loans or any functions of the Issuer, the Issuer Manager or the Board of Directors.

The robustness of the financial support provided by the Belgian Regions to the Borrowers by way of the Regional Guarantees and the robustness of the corporate governance framework of the Issuer as contemplated in the Issuer Management Agreement are significant factors in assessing the Programme.

The rights of holders of the Notes (the "**Noteholders**") will be governed by the terms and conditions of the Notes (the "**Terms and Conditions**") and will lie against the Issuer only. The Terms and Conditions do not provide Noteholders with the ability to intervene in day-to-day matters relating to the Issuer, nor do they provide Noteholders with any rights directly against the Issuer Manager, the Board of Directors (or any individual member thereof) or the Borrowers. The Noteholders are therefore reliant on the corporate governance framework of the Issuer. The Noteholders of any Tranche will, however, have the right to pass resolutions, which, if validly passed with the necessary level of support, will, subject to the Terms and Conditions and the Trust Deed, be binding on all Noteholders of that Tranche.



## The Issuer and the Loans

### The Issuer

Publinvest NV, a company incorporated with limited liability under the laws of the Kingdom of Belgium ("**Belgium**").

The Issuer has been established specifically for the purposes of and its activities will be restricted to matters relating to the Programme. The activities of the Issuer will be performed in a manner consistent with achieving a rating of the Notes. Such a rating may vary between Tranches.

For further information about the Issuer, see "**The Issuer**" at page 69

### The Lending Activity of the Issuer

The Issuer will make Loans for the purposes of financing the provision of social infrastructure in Belgium. Such infrastructure includes social housing, education facilities and healthcare facilities, as well as other services that in some way involve an element of public benefit. The public benefit provided by such infrastructure warrants the support of the relevant Belgian Region and the issuance of the Regional Guarantees. However, until such time as appropriate regulatory approvals are obtained from the FSMA and the NBB (as defined below) the Issuer's activities will be restricted to the financing of the social housing sector in Belgium.

The Loans will be made to Borrowers whose obligation to pay the interest on and repay the principal of the Loans will be guaranteed by way of the Regional Guarantees (each a "**Borrower**" and together, the "**Borrowers**"). The three

Belgian regions are: the Region of Flanders (*Vlaams Gewest/Région flamande* or the "**Flemish Region**"); the Region of Wallonia (*Waals Gewest/Région wallonne* or the "**Walloon Region**"); and the Brussels Capital Region (*Brussels Hoofdstedelijk Gewest/Région de Bruxelles capitale* or the "**Brussels Capital Region**" and together with the Flemish Region and the Walloon Region, the "**Belgian Regions**" and each, a "**Belgian Region**").

As is the case in connection with any public-sector financing, particular care will be taken by the Issuer Manager and the Board of Directors to be assured, before a Loan is made, that the proposed Borrower has the authority to borrow funds by way of the Loan and that its obligation to pay interest on and repay the principal of the Loan cannot be called into question because of the absence of such authority. A similar process will be undertaken in respect of the provision of the relevant Regional Guarantee so that there is no doubt that, at the time it is given, the Regional Guarantee is valid and binding.

For further information about how the Issuer undertakes lending activity, see "**Management of the Issuer**" at page 74; for further information about the Belgian Regions, see "**The Belgian Regional Governments and their Finances**" at page 40.

## **Risks**

### **Risks relating to the Issuer**

The Issuer is a special purpose vehicle, established for the purposes of the Programme.

As such, the Issuer has no employees and no substantial assets other than the Loans. The actions of the Issuer will be undertaken by third parties such as the Issuer Manager. The Issuer's equity capital is limited to €61,500, all of which has been paid up.

There can be no assurance that these assets will be sufficient to enable the Issuer to meet its obligations in respect of the Notes.

### **Risks relating the Loans**

Any investment in the Notes involves a Noteholder exposing itself to the possibility that the Borrowers will fail to make payments of interest on or repayment of principal of the Loans made to them using the proceeds of issuance of such Notes.

In the context of any Borrower, such a failure could be the result of, among other things, a failure on the part of the Belgian Regions, either through inability or through unwillingness, to provide the necessary financial support to



the Borrowers. It is essential, therefore, that any potential Noteholder considers carefully the financial condition of the Belgian Regions and the terms on which the payment obligations of the Borrowers in respect of the relevant Loans are supported by the Belgian Regions, ultimately by way of the Regional Guarantees. It is possible that either such financial condition or the terms of such financial support may change over time. The possibility of such changes are particularly pronounced given the potentially long duration of the Notes.

These matters are described both in this Base Prospectus and will be described, to the extent necessary, in the Final Terms applicable to each Tranche. The Issuer and the Issuer Manager will take care to be assured that, before a Loan is made, the relevant Belgian Region actually provides financial support to the relevant Borrower in the manner contemplated and that no reason exists to question, based on what is known at the relevant time, whether the on-going financial support will be provided by the relevant Belgian Region.

The financial condition of both Borrowers and the Belgian Regions may change over time in response to a variety of factors, however, including the level of economic activity and tax revenue generation and collection in the Belgian Regions as well as global, continental, national or regional economic factors which have a bearing on the economies of the Belgian Regions. The willingness of the Belgian Regions to provide financial support to any Borrower may also change, based on public policy priorities or changes in government.

No assurance can be given that such changes will not have an impact on the ability of a Borrower to pay interest on or to repay the principal of a Loan made to it, which may, in turn, have an impact on the Related Notes. The Notes may, as indicated above, have final maturities which occur after twenty years or more and the possibility of such changes occurring during such a time period are significantly higher than if the Notes had shorter final maturities.

**Risks relating to the Notes**

All of the Notes will be issued with the same level of seniority and so there is no subordinated debt which can be used to absorb losses suffered in respect of the Loans before the relevant Noteholders are impacted. However, since the payment of interest on and the repayment of principal of the Notes will be funded only with the cash-flow generated by the Related Loan, non-payment of interest or principal in respect of a Loan will only impact upon the Related Notes.

The Notes are therefore not cross collateralised across the entire pool of Loans.

These, and other factors that could have an impact on the ability of the Issuer to pay interest on and repay principal of the Notes, are described in this Base Prospectus and, to the extent not so described and applicable to a particular Tranche, in the Final Terms relating thereto.

### **Operational Risk**

The Issuer has no employees. Its activities are undertaken entirely by the Issuer Manager and the Transaction Parties in accordance with the Transaction Documents. Failure by any of those entities to perform their functions could have an adverse effect on the ability of the Issuer to make payment of interest on and repayment principal in respect of the Notes.

### **Discretionary Action**

As described above, the Issuer, acting through to Issuer Manager, has the right to make an Unpaid Sum Determination in the event that it feels that all amounts that will be recovered in respect of a Loan have been recovered. This is at the sole discretion of the Issuer, acting through the Issuer Manager. In the event that the Issuer makes such a determination the obligations of the Issuer in respect of the Related Notes will be extinguished.

**The Notes may not be suitable investments for all investors, as indicated above, and all investors should consider carefully the risks involved in investing in any issuance of Notes by reference to both this Base Prospectus and the applicable Final Terms, prior to making any investment decision.**

For further information about the risks involved in an investment in the Notes, see "**Risk Factors**" at page 23.

### **Transaction Parties**

#### **The Dealers**

Dealers will be appointed by the Issuer in respect of each issuance of Notes and will be responsible for distributing the Notes to potential investors (the "**Dealers**"). The Dealers appointed for each issuance of Notes will be specified in the relevant Final Terms and may vary from Tranche to Tranche.

The Dealers will not be under any obligation to subscribe for any of the Notes, nor make a market for the Notes, though they may choose to do so. However, as indicated in further detail below, ING Belgium and ING Bank N.V. Belgian Branch will

be precluded from doing so by reason of regulatory requirements.

### **The Issuer Manager**

AgFe LLP, a private limited liability partnership formed under the laws of England and Wales will, until such time as it is replaced in accordance with the Issuer Management Agreement, provide management services to the Issuer in respect of the Programme (the "**Issuer Manager**").

The Issuer Manager will, acting in accordance with the Issuer Management Agreement, provide services to the Issuer in relation to three areas of activity connected with the Programme:

- (a) the origination of the Loans (the "**Loan Origination Services**");
- (b) the administration of the Loans once originated (the "**Loan Administration Services**"); and
- (c) the issuance of the Notes (the "**Note Issuance Services**" and, together with the Loan Origination Services and the Loan Administration Services, the "**Issuer Manager Services**").

The Issuer Manager was established in 2006, is regulated by the Financial Conduct Authority in the United Kingdom and has the experience and resources necessary to perform the Issuer Manager Services, having a track record in the management of fixed-income assets. It does not require any other licenses or consents in Belgium to undertake the Loan Origination Services, the Loan Administration Services or the Note Issuance Services. The Issuer Manager will, however, be required to be mindful of laws, rules and regulations that apply in relation to the operations of the Issuer and avoid any transgressions thereof in the conduct of such operations.

For further information about the Issuer Manager and the roles it will play in connection with the Programme, see "**Management of the Issuer**" at page 74.

### **The Trustee**

The Stichting Trustee Publinvest, a foundation organised under the laws of The Netherlands (the "**Trustee**").

The Trustee will play three roles in the context of the Programme:

- (a) it will facilitate the constitution of the Notes under a trust deed (the "**Trust Deed**");

- (b) it will hold on trust the covenants of the Issuer under the Terms and Conditions of the Notes; and
- (c) it will be the grantee of and if necessary it will enforce the security arrangements entered into by the Issuer under the circumstances contemplated in the Terms and Conditions of the Notes for such enforcement (the "**Issuer Security Arrangements**").

As described in greater detail below, the Trustee has been established and is controlled by Intertrust Group (as defined below)

**The Principal Paying Agent**

ING Belgium (in this capacity, the "**Principal Paying Agent**").

The Principal Paying Agent will, in accordance with the terms of an agreement between it and the Issuer (the "**Agency Agreement**"), facilitate the issuance of the Notes and the payment of sums due in respect of the Notes, and in addition will:

- (a) arrange for the issuance of notices to Noteholders, as may be required from time to time;
- (b) enter into a clearing arrangement with the clearing system operator in respect of all Tranches (in which capacity it will be designated as the "domiciliary agent"); and
- (c) arrange for compliance with certain other administrative functions on behalf of the Issuer in connection with the issuance on the Notes.

The Principal Paying Agent is required to ensure that its short term, unsecured, unguaranteed debt remains rated above a prescribed threshold. In the event that it fails to have the required rating, ING Belgium may be replaced as Principal Paying Agent in connection with the relevant Notes.

As at the date of this Base Prospectus, the rating threshold for the Principal Paying Agent is "A" from S&P and "**Baa1**" from Moody's. The Issuer Manager shall monitor whether the rating threshold for the Principal Paying Agent has been breached or whether a revised threshold is acceptable at any time.

**The Account Bank and Cash Manager**

ING Belgium (in this capacity, the "**Account Bank and Cash Manager**").

The Account Bank and Cash Manager will maintain all cash and securities bank accounts of the Issuer provided that the Account Bank and Cash Manager's short term, unsecured, unguaranteed debt remains rated above a prescribed threshold and provide certain cash management services. In the event that it fails to have the required rating, ING Belgium may be replaced as Account Bank and Cash Manager in connection with the relevant Notes.

As at the date of this Base Prospectus, the rating threshold for the Account Bank and Cash Manager is "A" from S&P and "Baa1" from Moody's. The Issuer Manager shall monitor whether the rating threshold for the Account Bank and Cash Manager has been breached or whether a revised threshold is acceptable at any time.

For further information about the Account Bank and Cash Manager and the role it will play, see "**Key Structural Features of the Programme**" at page 83.

#### **The Calculation Agent and Administrator**

Intertrust Administrative Services B.V. (formerly known as ATC Financial Services B.V.) (the "**Calculation Agent and Administrator**"). The Calculation Agent and Administrator will perform certain administrative and calculation services for the Issuer in its various capacities. It will do so pursuant to the terms of an agreement between the Issuer and it (the "**Administration and Calculation Agency Agreement**").

#### **The Corporate Services Provider**

Phidias Management NV/SA (the "**Corporate Services Provider**"). The Corporate Services Provider will perform certain additional administrative services for the Issuer pursuant to the Administration and Calculation Agency Agreement. The services provided by the Corporate Services Provider include ensuring that all filings required under the Belgian Company Code on behalf of the Issuer are undertaken; that the Issuer complies with its accounting obligations; and that the Issuer complies with its taxation reporting obligations. None of these functions have any bearing on the credit operations of the Issuer and are non-discretionary in nature.

Phidias Management NV/SA is part of the Intertrust Group.

#### **The Transaction Parties**

The Issuer Manager, the Trustee, the Principal Paying Agent, the Account Bank and Cash Manager, the Calculation Agent and Administrator and the Corporate Services Provider are each referred to in this Base Prospectus and in any Final Terms as a "**Transaction Party**" and together, as the "**Transaction Parties**".

Each of the Transaction Parties has entered into a contractual arrangement with the Issuer under the terms of which they will be limited in the actions that they can take in relation to the Issuer. Such limitations are designed to protect the structural integrity of the Issuer, thus mitigating the possibility that it could become insolvent or subject to an insolvency process.

The Issuer and the Issuer Manager may, from time to time, and in the context of any Tranche, designate other entities as Transaction Parties. Such other entities will be similarly restricted in terms of the actions they can take against the Issuer.

For further information about the protections that the Issuer benefits from in order to minimise the potential of it becoming insolvent, see "**Key Structural Features of the Programme**" at page 83.

## **The Belgian Public Administration and Related Matters**

### **The Belgian Regions**

The Belgian Regions are the main administrative units in the Belgian system of public administration below the level of the Belgian Federal Government. The Belgian Regions each have their own systems for raising revenue. In broad terms, these involve receiving allocations of funding from the Belgian Federal Government (the "**Federal Government Allocated Revenues**") and funding that is raised directly either through taxation, borrowing or any other means (the "**Regional Government Generated Revenue**" and together with the Federal Government Allocated Revenue, the "**Aggregate Regional Revenue**").

Both the Federal Government Allocated Revenue and the Regional Government Generated Revenue may vary over time with changes in financial conditions, public policy priorities or other factors.

In addition, the Belgian Regions provide a variety of goods and services and there are various claims on the Aggregate Regional Revenue, which may also vary over time. These include budgetary allocations to entities, such as communes or municipalities, that occupy a subordinated position within the Belgian system of public administration but which are funded by the Belgian Regions.

For further information about the Belgian Regions and their finances, see "**The Belgian Regional Governments and their Finances**" at page 40.

## **The Belgian Public Finances**

The public sector in Belgium taken as a whole and based on historic activity has a recurrent annual financing requirement of between €12 billion and €15 billion. This relates to the financing needs of the Belgian Federal Government downwards in the hierarchy of the Belgian system of public administration.

Out of this aggregate amount, the annual financing requirement relating to the provision of social infrastructure is between €7 billion and €9 billion, again based on historic activity. Most of this financing requirement has historically been met by the Belgian banks.

The provision of social housing in Belgium (which involves the provision of housing to or financial support to facilitate the acquisition of housing by persons of moderate means) is undertaken by six separate legal entities. The provision of social housing is a responsibility of the Belgian Regions and so these entities operate with the financial support of the Belgian Regions.

## **Public Procurement**

Public sector financing in general, and the financing of the social housing entities in particular, are subject to the Belgian statutory regime of public procurement (and in particular the Act of 15 June 2006 on public procurement and certain missions in respect of work, supplies and services, as well as its implementing decrees).

This regime must be adhered to by the Issuer.

Based on historic activity the entities providing social housing in Belgium undertake around 10 public tenders annually, where they seek to raise around €2 billion of financing.

For further information about the organisation of public finances in Belgium, together with an overview of social housing operations and the public procurement system in Belgium, see "**The Belgian Public Financing Sector and Social Housing**" at page 40.

## **Structural Features of the Notes**

### **Pass Through of Cash Flow**

The Programme has been established to provide transparency on how cash flow generated by Loans is used to fund the Issuer's obligations to pay interest on and repay the principal of the Related Notes. The payment obligations of the Borrowers in respect of the Loans are intended to "match" the payment obligations of the Issuer in respect of the Related Notes and the only intended deduction from such cash-flows will be in respect of the operating costs of the Issuer, including

the costs and fees of the Issuer Manager, the Board of Directors and the other Transaction Parties. In order to achieve this matching, the Notes issued by the Issuer will have the same reference rate, interest accrual period, currency and maturity profile as the Related Loans. Each of the Transaction Parties charge the Issuer on a commercial basis for the services they provide.

For further information about the pass-through nature of the Programme, see "**Key Structural Features of the Programme – Cash Flow Management**" at page 83.

### **Currencies in respect of Notes and Loans**

Subject to compliance with all relevant laws, and the requirements of the Rating Agencies, the Notes may be denominated or payable in such currency or currencies or national currency units of any OECD country as the Issuer and the Issuer Manager may agree from time to time, as specified in the applicable Final Terms.

The Loans, however, are expected to be denominated in Euro for so long as the Euro is the currency of Belgium and it is expected that the Notes will, as indicated above, similarly be denominated in Euro. The Loans and the Related Notes will always be denominated in the same currency and it is not contemplated that the Issuer will enter into any currency hedging arrangements.

### **Series of Notes**

The Notes will be issued in three different Series:

- (a) Notes that are issued to fund Loans that are made to Borrowers whose obligation to pay interest on and repay the principal of the Loans are explicitly guaranteed by the Flemish Region (the "**G-F Series**");
- (b) Notes that are issued to fund Loans that are made to Borrowers whose obligation to pay interest on and repay the principal of the Loans are explicitly guaranteed by the Walloon Region (the "**G-W Series**"); and
- (c) Notes that are issued to fund Loans that are made to Borrowers whose obligation to pay interest on and repay the principal of the Loans are explicitly guaranteed by the Brussels Capital Region (the "**G-B Series**"), it being understood that until such time as the Brussels Capital Region issues its own listed debt instruments, no such series will be issued as part of the Programme.



The designation of a Series is intended to provide a ready means of identifying a key characteristic of the Notes, namely the Belgian Region providing the financial support. For the avoidance of doubt, the designation of a particular Series does not impact on the legal rights given to the relevant Noteholders.

**Prospective Noteholders should be mindful of the difference between the Regional Guarantees. As indicated above, the extent of the guarantee may vary from Loan to Loan and the nature of the guarantee will be indicated in the relevant Final Terms. However, as indicated above, no Loan can be originated by the Issuer that does not benefit from a Regional Guarantee.**

As indicated above, until such time as the Brussels Capital Region issues its own listed debt instruments, any Notes used to fund Related Loans which benefit from a guarantee from the Brussels Capital Region will only be issued pursuant to a standalone prospectus (and not pursuant to the Programme).

## **Tranches**

Each Series will include one or more Tranches. Notes of each Tranche will be issued on identical terms, as specified in the Final Terms relating to that Tranche. The terms of any one Tranche may be different from all other Tranches in various respects.

## **Ratings**

It is anticipated that the Notes of each Tranche will be rated. The ratings, and the Rating Agencies assigning the ratings, will be described in the Final Terms applicable to each Tranche.

**A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.**

The ratings of the Notes will be dependent, to a significant extent, both on the creditworthiness of the Belgian Regions and implementation of the structure of the Programme, though the Rating Agencies may take into account a number of other factors including the terms of any guarantee to be provided by the Belgian Regions in respect of the Related Loans.

## **Distribution**

The Notes will not be subject to a public offer in the sense of article 3 of the Prospectus Act, and will be distributed as specified in the applicable Final Terms. The determination of the distribution approach will be made by agreement between the Issuer and the Issuer Manager, as part of the Note Issuance Services, in conjunction with the Dealers to be appointed in respect of that Tranche. However, the Notes will only be

offered outside the United States to persons who are not US Persons, as defined in Regulation S.

## **Maturities**

The maturity of each Tranche will be determined by agreement between the Issuer and the Issuer Manager, in conjunction with the Dealers to be appointed in respect of that Tranche, and shall be specified in the Final Terms relating to that Tranche. Such maturity shall match, as indicated above, the maturity of the Related Loan, and the Scheduled Maturity Date will be the same as the scheduled repayment date of the Related Loan, subject to the right of the Issuer to extend the Scheduled Maturity Date for a period up to one calendar year under certain circumstances, as described further below.

For further information about the extension of the maturity of the Notes see, "Terms and Conditions of the Notes" Condition 4.2 (Scheduled Repayment – Related Loan") at page 109

## **Costs of the Programme**

The Issuer will incur various on-going expenses in relation to operations of the Programme. These will include the costs, fees and expenses of the Transaction Parties and other service providers to the Issuer, such as auditors and legal advisers, Rating Agencies and the stock exchanges on which the Notes are listed. It is anticipated that these costs will be paid from the interest generated by the Loans, which will be set at a level greater than the interest paid in respect of the Related Notes by an amount which allows for such expenses to be paid. Such payments will be made in priority to payment on the Notes.

For further information about the costs of the Programme, see "**Costs of the Programme**" at page 87.

## **Profit Extraction**

The Issuer has been structured so that the interest earned on the Loans matches the interest paid on the Related Notes and the relevant on-going expenses of the Issuer and the constitution of the Cash Reserve, as described above. No Transaction Party is entitled to any residual amounts that may be remaining after the Issuer has paid such interest and expenses and such amounts, if any, will be held by the Issuer. Such amounts are not, in any event, anticipated as being material in light of the Issuer's obligations.

## **Issue Price; Payment of Interest**

### **Issue Price**

Any Tranche may be issued at par or at a discount or premium to par as determined by agreement between the Issuer and the Issuer Manager, in conjunction with the Dealers to be appointed in respect of that Tranche. The issue price in respect

of a Tranche shall be specified in the Final Terms relating to that Tranche.

**Method of Issue and Denomination** As indicated above, Notes may be issued on a continual basis in different Tranches, each Tranche being part of one Series. Each Note shall have a denomination of €100,000 (or the equivalent in other currency in which issuance is permitted).

Subject to the minimum denomination, there shall be no minimum size of issuance for any Tranche. Notes may be issued on a syndicated or unsyndicated basis, as described in the relevant Final Terms.

### **Fixed Rate Notes**

Certain Notes will bear interest at a rate specified in the applicable Final Terms which will not vary and will be payable in arrear on the date or dates specified in the applicable Final Terms, being determined by reference to a fixed reference rate and a fixed margin (the "**Fixed Rate Notes**"). The issuance of Fixed Rate Notes, and the rate of interest applicable to them, will be determined by agreement between the Issuer and the Issuer Manager, in conjunction with the Dealers to be appointed in respect of a particular Tranche and the applicable rate of interest shall be specified in the Final Terms relating to that Tranche.

The reference rate used in determining the interest rate applicable to the Fixed Rate Notes will match, as indicated above, the reference rate applicable to the Related Loan. The margin for the Fixed Rate Notes will, as indicated above, be lower than the margins of the Related Loan, the difference being used to pay the on-going costs of the Issuer in relation to that Tranche of Notes.

For the avoidance of doubt, Fixed Rate Notes will only be issued for the purpose of funding a single fixed rate Related Loan.

### **Floating Rate Notes**

Certain Notes will bear interest at a rate set by reference to a variable reference rate and a fixed margin, as may be specified in the applicable Final Terms, and will be payable in arrear on the date or dates specified in the applicable Final Terms ("**Floating Rate Notes**"). The issuance of Floating Rate Notes, and both the reference rate and the margin, will be determined by agreement between the Issuer and the Issuer Manager, in conjunction with the Dealers to be appointed in respect of a particular Tranche and the applicable rate of interest, and the process for determining it, shall be specified in the Final Terms relating to that Tranche.

The reference rate used in determining the interest rate applicable to the Floating Rate Notes will match, as indicated above, the reference rate applicable to the Related Loans. The margin for the Floating Rate Notes will as indicated above be lower than the margin of the Related Loan, the difference being used to pay the on-going costs of the Issuer in relation to that Tranche of Notes.

For the avoidance of doubt, Floating Rate Notes will only be issued for the purpose of funding a single fixed rate Related Loan.

### **Non-payment of Interest**

The Final Terms issued in respect of each Tranche will state whether interest on such Notes may be deferred if there are insufficient funds available for the payment of interest in full on any interest payment date applicable to the relevant Tranche (the "**Note Payment Date**") and if permissible, the details of the payment or capitalisation of any such deferred interest will be set out in such Final Terms.

As indicated above, the payment of interest in respect of any Notes may only be funded by the cash-flow generated by the Related Loan and therefore non-payment of interest in respect of any Notes will generally be indicative of non-payment of interest in respect of the Related Loan.

In the event that the Final Terms in respect of a Tranche do not allow for any deferral of interest, the non-payment of interest will give rise to a Tranche-Specific Event of Default (as defined below).

For further information about the payment of interest in respect of the Notes, see "**Terms and Conditions of the Notes - Condition 3 (Interest)**" at page 98.

### **Form of Notes**

The Notes will be issued in dematerialised form in accordance with the Belgian Company Code.

The Notes will be cleared through the X/N accounts system of the National Bank of Belgium (the "**NBB**") in accordance with the Act of 6 August 1993 on transactions in certain securities (*loi relative aux opérations sur certaines valeurs mobilières/wet betreffende de transacties met bepaalde effecten*) and the corresponding royal decrees of 26 May 1994 and 14 June 1994 (the "**X/N System**"). As indicated above, the Notes may only be held by an Eligible Holder holding such Notes through an X-Account or directly or indirectly through the holder of an X-Account.

The Noteholders will not be entitled to the exchange of the Notes into bearer notes.

For further information about the form and clearing arrangements in respect of the Notes, see "**Terms and Conditions of the Notes - Condition 1 (Form, Denomination, Title and Selling Restrictions)**" at page 93.

## **Redemption**

### **Redemption of Notes on Scheduled Maturity Date and Issuer's Ability to Extend**

The Final Terms issued in respect of any Tranche will specify the Scheduled Maturity Date of that Tranche.

The Notes of each Tranche will, subject to prior redemption, as described further below, be redeemed in full on the relevant Scheduled Maturity Date ("**Final Redemption**"). The Scheduled Maturity Date of any Tranche may be extended at the election of the Issuer, only if the Issuer (acting through a decision of the Board of Directors) determines, at any time up to and including the Scheduled Maturity Date, that the applicable Borrower shall not repay the Related Loan on the Scheduled Maturity Date in accordance with its terms and, in the event of such extension, the failure by the Issuer to redeem the Notes in full on the Scheduled Maturity Date shall not constitute an Issuer Event of Default.

Such extension shall be for a period of no more than one calendar year from the original Scheduled Maturity Date (the "**Extended Maturity Date**"). In the event that the Issuer elects to extend the Scheduled Maturity Date it shall notify the Trustee, the Issuer Manager and the Principal Paying Agent immediately and any such extension shall be binding on the Noteholders of the relevant Tranche. For the avoidance of doubt, any extension of the Scheduled Maturity Date for one Tranche of Notes shall not automatically result in an extension of the Scheduled Maturity Date for any other Tranche of Notes.

### **Redemption of Notes through repayment of Related Loans**

The Notes of any Tranche may be redeemed in one or more instalments. The Final Terms issued in respect of any Tranche will set out the dates on which, and the amounts in which, such Notes are to be redeemed. Such redemption ("**Scheduled Redemption**") will be related to the repayment profile in respect of the Related Loan and the Issuer's obligation to make such redemption will be conditional upon receiving repayment of the relevant amounts in respect of the Related Loan.

**Other Early Redemption Scenarios**

In addition to Final Redemption and Scheduled Redemptions, the Notes of any Tranche will be subject to early redemption in the following situations:

- (a) in the event that there is an early repayment in respect of the Related Loan (which may be permitted in accordance with its terms);
- (b) in the event that the Issuer is, by reason of any change in law from that in effect on the date such Notes are issued, required to withhold or deduct any amount on account of taxes from interest payments it is required to make in respect of the Notes of that Tranche;
- (c) in the event that a Borrower is, by reason of any change in law from that in effect on the date such Notes are issued, required to withhold or deduct any amount on account of taxes from interest payments it is required to make in respect of the Related Loan; and
- (d) in the event that the Issuer is, by reason of any change in law from that in effect on the date such Notes are issued, subject to any increased cost or suffers a reduction in its rate of return on the Related Loan or is subject to any regulatory or compliance obligations that would not exist but for that change in law.

In the context of the redemptions arising as a result of the circumstances contemplated in paragraphs (b), (c) or (d) above, the Issuer will be required to satisfy certain requirements before redemption of the Notes can occur. These include satisfying the Trustee that the Issuer has sufficient funds available to it to redeem the relevant Notes as required in the Terms and Conditions of the Notes.

For further information about redemption of the Notes, see "**Terms and Conditions of the Notes – Condition 4 (Principal)**" at page 108.

**Miscellaneous Matters**

**Taxation**

All payments of principal and interest in respect of the Notes will be made without any deductions or withholding for or on account of any future taxes or duties of whatever nature unless such deduction is required by law. In this event, the Issuer will not be obliged to pay any further amounts.

As indicated above, in the event that the Issuer is required to make any deduction or withholding for tax reasons, this may, subject to the satisfaction of the necessary conditions, result in an early redemption of the Notes.

The Issuer will, as a company incorporated under the laws of Belgium, be subject to tax in Belgium on its income.

For further information about the taxation position of the Issuer, see "**Certain Matters of Belgian Taxation**" at page 122.

## **Events of Default**

The Notes will be subject to two categories of events of default:

- (a) events of default relating to a particular Tranche ("**Tranche-Specific Events of Default**"); and
- (b) events of default relating to all Tranches, and therefore to the Programme as a whole ("**Programme-Wide Events of Default**" and together with the Tranche-Specific Events of Default, the "**Issuer Events of Default**").

The Tranche-Specific Events of Default include failure by the Issuer to pay interest (save where deferral is permitted) or repay principal due in respect of any Tranche or perform its obligations in respect of any Tranche, subject to applicable cure periods. The Programme-Wide Events of Default involve insolvency of the Issuer.

The occurrence of a Tranche-Specific Event of Default may indicate the mis-performance of the Related Loan or guarantee granted in respect of it (the "**Guarantee**") and may result in the enforcement of security interests granted by the Issuer in relation to that Tranche; the occurrence of a Programme-Wide Event of Default may indicate a wider basis of financial distress for the Issuer and therefore may result in the enforcement of security interests granted in respect of the Programme as a whole. While the occurrence of a Tranche-Specific Event of Default is not intended to be related to or result in a Programme-Wide Event of Default, if one or more Tranches are sufficiently large relative to other Tranches, failure of the relevant Related Loans to pay interest or repay principal when due may have an impact on the ability of the Issuer to discharge its operating expenses and hence could potentially result in a Programme-Wide Event of Default.

For further information about the Events of Default and the consequences of their occurring, see "**Terms and Conditions of the Notes – Condition 5 (Events of Default)**" at page 112.

## **Security for the Notes**

The Issuer will grant security for the benefit of each Tranche over all its rights, title and interest in respect of the Related Loan and the cash-flow generated by them. The Related Loans constituting security for one Tranche of Notes shall not be available for the benefit of any other Tranche of Notes and accordingly the Related Loan connected with one Tranche of Notes is ring-fenced from all other Loans. Enforcement of the security granted in respect of one Tranche will not mean that security granted in respect of any other Tranche will be enforced. This security is described as the "**Tranche-Specific Security**".

The Notes will not be directly guaranteed by the Belgian Regions, though in relation to the Related Loans of any Series, the Issuer will benefit from the relevant Region Guarantees through being the entity in whose favour the Regional Guarantees are issued.

In addition, the Issuer will grant security in respect of certain assets for the benefit of all Tranches of Notes. This security is described as the "**Programme-Wide Security**". The assets that constitute the Tranche Specific Security will not constitute the Programme-Wide Security and the key assets comprising the Programme-Wide Security is the Cash Reserves (as defined below) and any rights that the Issuer may have under the Transaction Documents (save where those are part of the Tranche Specific Security). The Programme-Wide Security insofar as it relates to the Cash Reserve will not benefit Noteholders.

The validity of the security granted in respect of each Tranche shall be confirmed, at the time the Tranche is issued, by suitably qualified legal advisers to the Issuer.

As indicated above, the security for the Notes will be enforceable in the event of an Issuer Event of Default occurring, subject to the Terms and Conditions of the Notes.

For further information about the security interests granted by the Issuer, see "**Key Structural Features of the Programme – Issuer Security Arrangements**" at page 83.

## **Cross Default**

The terms and conditions for any Tranche will not contain cross default provisions. Thus, the occurrence of a Tranche-Specific Event of Default in respect of one Tranche will not necessarily mean that a Tranche-Specific Event of Default in respect of any other Tranche occurs. This approach is



consistent with the intention to "match", in a transparent manner, the performance of Notes of any Tranche with its Related Loan.

The occurrence of a Programme-Wide Event of Default, however, will affect all Tranches, as indicated above.

**Listing and Admission to Trading**

Application may be made to NYSE Euronext Brussels for Notes issued under the Programme to be admitted to trading and to be listed on the official list of NYSE Euronext Brussels. The Notes may also be listed on such other or further stock exchange or stock exchanges as may be agreed between the Issuer and the relevant Dealers in relation to each issuance.

The applicable Final Terms will state on which stock exchanges the Notes of each Tranche are to be listed.

**Status of Notes**

The Notes of each Tranche constitute direct, secured and unconditional obligations of the Issuer, ranking *pari passu* among themselves without preference or priority.

The obligation of the Issuer to pay interest on and repay the principal of any Tranche of Notes will be limited by the payments of interest and repayments of principal received by the Issuer in respect of the Related Loans.

Without prejudice to the ability to enforce the Issuer Security Arrangements, in the event that the Borrower, or if applicable, Guarantor of a Loan does not pay any Unpaid Sum, after giving effect to any Extended Maturity Date that may be applicable, and the Issuer determines, in its sole discretion, that the Unpaid Sum shall not be recovered, the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished and the Noteholders of the Related Notes shall not be entitled to receive such amounts. The Issuer shall determine, in its sole discretion, whether any future payments of interest or other amounts on or repayments of principal of the relevant Loans will be recovered and such determination shall be binding for all purposes on the Noteholders.

In the event that the Issuer Security Arrangements are enforced, the Issuer will apply the proceeds of such enforcement in accordance with the applicable Priority of Payments. In the event that the proceeds of such enforcement are insufficient, after the enforcement process has been completed, to make all necessary payments in respect of the Related Notes, the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished and the Noteholders of the Related Notes shall not be entitled to receive any further payments from the Issuer

in respect of the them. The Issuer shall determine, in its sole discretion, whether the process of enforcing the Issuer Security Arrangements has been completed and such determination shall be binding for all purposes on the Noteholders and other Transaction Participants.

For further information about the limitations on the obligations of the Issuer to make payment in respect of the Notes, see "**Terms and Conditions of the Notes – No Action and Limited Recourse (Condition 9)**" at page 116.

### **Governing Law**

The Notes will be governed by, and construed in accordance with, English law, save for certain mandatory provisions which are required to be governed by Belgian law given that the Issuer is an entity incorporated in Belgium (the "**Mandatory Belgian Law Provisions**").

### **Selling Restrictions**

There are selling restrictions in relation to the United States of America, the United Kingdom, and the European Economic Area and such other restrictions as may be required (and specified in the applicable Final Terms) in connection with the offering and sale of a particular Tranche of Notes.

For further information about such selling restrictions, see "**Distribution and Sale**" at page 139.

## RISK FACTORS

*An investment in the Notes may involve substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of such an investment.*

*The Issuer believes that the factors described below represent the primary risks involved in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements set out below regarding the risks of investing in the Notes are exhaustive. Prospective Noteholders should also read the detailed information set out elsewhere in this Base Prospectus and, in relation to any Tranche of Notes in which they are considering investment, the Final Terms relating to them, and, in the light of their own financial circumstances and investment objectives, reach their own views prior to making any investment decision.*

### RISKS RELATING TO THE ISSUER

#### Limited Share Capital

The Issuer is a company that has been created specifically for the purposes of the Programme. Its share capital is €61,500 which has been fully paid up and there is no contemplation that this amount will be increased at any time during the life of the Programme. The principal shareholder of the Issuer is a *stichting* incorporated under the laws of Belgium, which has been established for the sole purpose of subscribing for its shareholding in the Issuer. ING Belgium also has a limited shareholding in the Issuer but its capital contribution to the Issuer will not be increased at any time during the life of the Programme. The Issuer Manager has no shareholding in the Issuer and there is no contemplation that it will acquire any such shareholding.

Accordingly, prospective Noteholders should be aware that the Issuer's obligations in respect of the Notes cannot be discharged through application of its existing share capital and should have no expectation that the share capital of the Issuer or the Issuer Shareholder (as defined below) will be increased at any time during the life of the Programme, either by the existing shareholders or by the participation of new shareholders.

The costs of establishing the Issuer, amounting to €1,250,000 approximately, have been pre-financed by ING Belgium. Of such amount, ING Belgium will recover an amount of approximately €750,000 over time, depending on the performance of the Programme but without compromising on the position of the Noteholders and the remainder will be borne by ING Belgium. As described in further detail below this amount will be paid to ING Belgium from the Cash Reserves in the event that certain conditions are met and will bear interest at a market rate.

#### Leveraged Capital Structure

The Issuer is funded, save for the Cash Reserves and its share capital, through the issuance of the Notes. The Issuer will therefore, at any point in time, have a significant number of creditors in the form of Noteholders. The rights of the Noteholders against the Issuer, and against each other, will be prescribed primarily by the Terms and Conditions of the Notes.

While the Terms and Conditions of the Notes have been designed to maintain the structural integrity of the Issuer, in the event that any Noteholder does not receive any interest, principal or other amount that may be due to it under the applicable Terms and Conditions, there can be

no assurance that it will not take adverse action against the Issuer and that such action, if taken, would not have an impact on the position of both the Issuer and other Noteholders.

### **Limited Assets**

The assets of the Issuer that can be used for the purpose of meeting its obligations in respect of the Notes are limited, primarily, to the Related Loans and the cash-flow generated by them. There can be no assurance that the assets of the Issuer will be sufficient to enable it to meet its obligations in respect of any of the Notes, although in deciding to make the Loans, the Issuer Manager will seek to ensure that the payment of interest on and the repayment of principal of the Loans will be sufficient to pay the interest on and repay the principal of the Related Notes, as well as meet its operating costs.

In the event that the Issuer is unable to pay the interest on and repay the principal of the Notes using the assets that are available for such purpose, no other Transaction Party will be obliged to do so on the Issuer's behalf and the relevant Noteholders shall have no claims against them. In particular, ING Belgium will have no obligation to support the position of the Issuer in any way.

### **Issuer's Status**

The Issuer has been incorporated under the laws of Belgium as a commercial limited liability company and is accordingly subject to Belgian insolvency legislation.

There can be no assurance that the Issuer will not, at any time during the life of the Programme, become insolvent within the meaning of the Belgian insolvency legislation. Should this occur, the Issuer's operations may be disrupted through the application of the Belgian insolvency legislation, and this may have an impact on its ability to pay interest on and repay the principal of the Notes.

The Issuer has, however, been established so that the possibility of it becoming insolvent within the meaning of the Belgian insolvency legislation is limited. Thus, it undertakes no operations other than those connected with the Programme; Noteholders and the Transaction Parties are subject to restrictions in terms of what action they can take against the Issuer; and its cash-flow management arrangements have been established to ensure that any creditors other than Noteholders and the Transaction Parties are paid any amounts that may be due to them in priority to Noteholders and the Transaction Parties. All of these features mitigate the risk that the Issuer is likely to become insolvent or subject to insolvency proceedings.

Nonetheless, there can be no assurance that the protections envisaged will prevent the Issuer from becoming insolvent within the meaning of Belgian insolvency legislation, resulting in the occurrence of the disruptions contemplated above.

### **Preferred Creditors**

The payment obligations of the Issuer are discharged in accordance with the applicable priority of payments. This essentially requires that the Issuer pays certain expenses to Transaction Parties (and to the extent permitted, operational costs of the Issuer) and then pays interest on and repays principal of the Notes, using in the case of such interest and principal, cash-flow generated by the Related Loan in respect of each Tranche. It is possible, however, that the Issuer will owe amounts to entities other than Transaction Parties. These may include service

providers or advisers to the Issuer or tax authorities to whom the Issuer is liable to pay amounts in respect of tax. The claims of such entities may, as a matter of applicable law, be payable with priority to all other amounts owed by the Issuer. Even if this is not the case, paying amounts due to such entities is required in order to maintain the structural integrity of the Issuer and prevent it from becoming insolvent within the meaning of the Belgian insolvency legislation or subject to adverse action by such entities, who are not bound by the same restrictions as Noteholders and Transaction Parties.

While the Issuer has been established to ensure that amounts owed to entities other than Transaction Parties and Noteholders are minimised, there can be no assurance that such amounts will not come into existence from time to time, and therefore need to be discharged. Such payments would reduce the amounts available to the Issuer to meet its payment obligations to Noteholders, as failing to do so could have an impact on the integrity of the Programme and must, therefore, be a priority for the Issuer.

### **Foreign Account Tax Compliance Act and Similar EU Provisions**

Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent withholding tax with respect to certain payments to:

- (a) any non-U.S. financial institution (a "**foreign financial institution**" or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA; and
- (b) any investor (including individuals and entities) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "**United States Account**" of the Issuer (a "**Recalcitrant Holder**").

The Issuer may be classified as an FFI and may have investors who have not provided the relevant information and are therefore classified as Recalcitrant Holders.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to foreign pass-through payments (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of either any Notes characterised as debt for U.S. federal tax purposes that are issued on or after the grandfathering date, which is six months after the date on which final U.S. Treasury regulations defining the term foreign pass-through payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date; or any Notes characterised as equity for U.S. federal tax purposes, whenever issued.

The United States and Belgium have announced their intention to negotiate an intergovernmental agreement to facilitate the implementation of FATCA (a "**US-Belgium IGA**"). Pursuant to a US-Belgium IGA, a Belgian FFI could be treated as a Reporting FFI not subject to withholding under FATCA on any payments it receives and not required to withhold under FATCA from payments it makes, but would still be required to report to the Belgian tax authorities or the IRS certain information in respect of its account holders and investors (including individuals and entities).

If the Issuer does not become a Participating FFI (whether through compliance with the US-Belgium IGA or otherwise) Reporting FI, or is not treated as exempt from or in deemed compliance with FATCA, the Issuer may be subject to a withholding obligation under FATCA (a "**FATCA withholding**") on payments received from U.S. sources and Participating FFIs. Any such withholding imposed on the Issuer may reduce the amounts available to the Issuer to make payments on the Notes. Similarly, and more significantly in the context of the Programme, a FATCA Withholding may be imposed on payments that the Issuer is required to make to Noteholders. If an amount in respect of FATCA Withholding were to be deducted or withheld either from amounts due to the Issuer or from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any other person would, pursuant to the Terms and Conditions, be required to pay additional amounts as a result of the deduction or withholding.

FATCA is a particularly complex piece of legislation and its application is uncertain as at the date of this Base Prospectus. The description set out above is based in part on regulations, official guidance and the Model 1 IGA, all of which are subject to change or may be implemented in a materially different form. Prospective Noteholders should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes prior to making any investment decision and any compliance obligations it may have to undertake in relation to the Issuer.

In addition, it is possible that a legal requirement similar to FATCA will be created within the EU. Should this be the case, the Issuer will have additional compliance obligations that it must be mindful of.

### **Absence of Regulation**

The Issuer has been established in a manner that it is not subject to the same regulatory framework as a bank or other regulated financial institution (including an alternative investment fund). As such, Noteholders will not benefit from the protections that they might have had if they had invested in similar debt products issued by a bank or other regulated financial institution. In the event that the Issuer is, at any time subject to a regulatory or compliance obligation arising as a result of a change of law, it has the ability to bring about an early redemption of the Notes.

### **Funding of Issuer's Equity Capital**

Ninety percent of the Issuer's equity capital has been provided by the Issuer Manager. These funds have been contributed to the Issuer's shareholder by way of a charitable donation and used by it to subscribe for the equity on the Issuer. Notwithstanding the contribution by the Issuer Manager of their funds, the Issuer Manager has no ownership or control interest in the Issuer and no ability to influence the Issuer or the Board of Directors other than as provided for in the Issuer Management Agreement. The remainder of the Issuer's equity capital has been funded by ING Belgium.

## **RISKS RELATING TO THE NOTES**

### **Liability in Respect of the Notes**

The obligation to pay interest on and repay the principal of the Notes will be the sole obligation of the Issuer. In particular, no such obligation can be ascribed to ING Belgium, ING Bank NV

Belgian Branch or any other Transaction Party. Investors in the Notes should give no consideration to ING Belgium, ING Bank NV Belgian Branch, any Transaction Party or any other entity making payments to enable the Issuer to discharge its obligations in respect of the Notes and should rely, for this purpose, entirely on the Loans and the structural features related to the Issuer, which are intended to enable it to discharge its obligations in relation to the Notes. As indicated above, each Tranche of Notes will only be used to fund a single Related Loan.

In the event that the Issuer fails to pay the interest on or repay the principal due on the Notes, Noteholders' rights of action will be limited to those they can take in respect of the Issuer and must, in any event, be taken in accordance with the Terms and Conditions of the Notes. These prevent such action being taken unless the Trustee, having been bound to take such action, fails to do so.

### **No market support from ING Belgium**

Neither ING Belgium, nor ING Bank N.V., Belgian Branch, are permitted to act as Stabilising Managers in respect of the Notes, or to otherwise underwrite the Notes or create a market in respect of the Notes, pursuant to conditions imposed by their regulatory authorities.

There can be no assurances that other financial institutions will provide these services and this may impact upon the liquidity of the Notes.

### **Limited Recourse**

The Notes of each Tranche are limited recourse obligations of the Issuer. The obligation of the Issuer to pay interest on and repay the principal of any Tranche of Notes will be limited by the payments of interest and repayments of principal received by the Issuer in respect of the Related Loans.

Without prejudice to the ability to enforce the Issuer Security Arrangements, in the event that the Borrower or, if applicable, Guarantor of a Loan does not pay an Unpaid Sum, after giving effect to any Extended Maturity Date that may be applicable, and the Issuer, in its sole discretion, makes an Unpaid Sum Determination, the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished by an amount equal to the Unpaid Sum and the Noteholders of the Related Notes shall have no further entitlement to receive such amounts.

In the event that the Issuer Security Arrangements are enforced, the Issuer will apply the proceeds of such enforcement in accordance with the applicable priority of payments. In the event that the proceeds of such enforcement are insufficient, after the enforcement process has been completed, to make all necessary payments in respect of the Related Notes, the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished and the Noteholders of the Related Notes shall not be entitled to receive any further payments from the Issuer in respect of the them. The Issuer shall determine, in its sole discretion, whether the process of enforcing the Issuer Security Arrangements has been completed and such determination shall be binding for all purposes on the relevant Noteholders.

## Priority of Payments following enforcement of Security Arrangements

The priority of payments applicable in the event that the Issuer Security Arrangements are enforced is as follows.

In the event that the Tranche-Specific Security is enforced following the occurrence of a Tranche-Specific Event of Default, the proceeds of such enforcement shall be applied in the following order of priority:

- (i) **first**, to the Trustee, a Pro Rata Tranche Allocation of the aggregated fees, costs and expenses owed to it in relation to the Programme as a whole;
- (ii) **second**, to the Issuer Manager, the Account Bank and Cash Manager, the Principal Paying Agent, the Calculation Agent and Administrator and the Corporate Services Provider, each on a pari passu basis, a Pro Rata Tranche Allocation of any amounts owed to such Parties in relation to the Programme as a whole and unpaid after the application of proceeds of all Tranche-Specific Security;
- (iii) **third**, to the Noteholders of that Tranche, all amounts of interest, principal, fees and other amounts owed to them as at the date of such application.

In relation to any specific Tranche, if the Issuer and the Issuer Manager determine prior to the issuance of a particular Tranche that any other entity should benefit from the Tranche-Specific Security relating to that Tranche, the order of priorities indicated above may be modified and the revised order of priorities set out in full in the applicable Final Terms.

In the event that the Programme Wide Security is enforced following the occurrence of a Programme-Wide Event of Default, the proceeds thereof shall be applied in the following order of priority:

- (i) **first**, to the Trustee, any amounts owed to it in relation to the Programme as a whole and unpaid after the application of proceeds of all Tranche-Specific Security;
- (ii) **second**, to the Issuer Manager, the Account Bank and Cash Manager, the Principal Paying Agent, the Calculation Agent and Administrator and the Corporate Services Provider each on a pari passu basis, a Pro Rata Tranche Allocation of any amounts owed to it in relation to the Programme as a whole and unpaid after the application of proceeds of all Tranche-Specific Security;
- (iii) **third**, save in respect of any proceeds realised through the enforcement of security in respect of the Cash Reserves, to the Noteholders of each Tranche an amount determined in accordance with the Pro Rata Tranche Allocation of that Tranche unpaid after the application of the proceeds of the Tranche Specific Security.

For the purposes of the paragraphs above, a "Pro Rata Tranche Allocation" means, in relation to each Tranche of Notes, a ratio, expressed as a percentage and determined as follows:

**A/B**



where:

"A" is the principal amount outstanding of the relevant Tranche of Notes; and

"B" is the principal amount outstanding of all Tranches of Notes,

each at the time the Pro Rata Tranche Allocation is determined.

The Pro Rata Tranche Allocation concept is designed to allocate Programme-wide costs to each Tranche on a pro rata basis, dependant on the principal amount outstanding thereof and to enable the proceeds of enforcing the Programme Wide Security to be applied between Tranches on a similar pro rata basis.

Thus, the payment of amounts to Transaction Parties will rank senior to payments in respect of the Notes and the Notes do not, in any event, benefit in any way from the Cash Reserve. There can be no assurance that as a result of the payment of items ranking senior in priority the cash flow available to make payments in respect of the Notes will be sufficient for such payments to be made in full or at all.

### **Absence of Collateral Pooling**

The primary cash-flow generating assets of the Issuer will be the Loans. Payments of interest on and repayment of principal of each Loan will be used by the Issuer primarily for the purpose of funding payments by the Issuer of interest on and repayment of principal of the Related Notes. Payment of interest on and repayment of principal in respect of a particular Loan cannot be used to fund payments of interest on and repayment of principal of any Note that is not a Related Note. Notes therefore are not cross-collateralised by the entire pool of Loans and the Loans are "ring-fenced" for the benefit of the Related Notes.

As a result, if the Issuer is unable to recover payment of interest on and repayment of principal of any Loan, there can be no assurance that it will be able to pay interest on or repay the principal of the Related Notes, as anticipated or at all. Even if Noteholders, through the Trustee, successfully exercise their rights to enforce the Issuer Security Arrangements following the occurrence of a Tranche Specific Event of Default, there can be no assurance that the Noteholders will receive a return in excess of the value of the Related Loans.

### **Absence of Structural Enhancements**

The Issuer does not benefit from any structural enhancements other than the Cash Reserves. In particular:

- (a) the Notes of each Tranche constitute direct, secured and unconditional obligations of the Issuer, ranking *pari passu* among themselves, without preference or priority. Interest on them will be paid and principal repaid using payments received by the Issuer in respect of the Related Loan. The Issuer will not issue any subordinated notes or similar instruments designed to absorb losses before they impact upon the Notes. Nor will it, as described above, issue equity in sufficient amounts to absorb losses in respect of any failure by the Borrowers to pay interest on or repay the principal of the Related Loans; and
- (b) the Issuer does not benefit from any liquidity facility nor does it have any hedging arrangements in place associated with either Loans or Notes (though the Issuer is

implicitly hedged through the Related Notes "matching" the Loans in terms of currency and reference rate).

While such an approach is designed to achieve structural simplicity and a high level of transparency, prospective Noteholders will, as a result of it, not benefit from any such structural enhancement and there is no contemplation that any such structural enhancement will be provided at any time during the life of the Programme. The Notes are designed to pass-through to Noteholders the cash-flows generated by the Related Loans, after the deduction of permitted operational costs of the Issuer, but without any enhancements and, as indicated above, each Tranche will only be used to fund a single Related Loan.

The Cash Reserves are, for the avoidance of doubt, not intended to enable the Issuer to make payments of interest or repayments of principal in respect of the Notes, but rather are only available to enable the Issuer to meet certain expenses.

### **Contractual Ring - Fencing**

The Issuer Security Arrangements are based purely on contractually created mechanics (as opposed to a statutory asset segregation regime). There can be no assurance that the efficacy of the Issuer Security Arrangement will not be challenged and if challenged, undermined. Validity of those arrangements may particularly be challenged in the event of the insolvency of the Issuer.

### **Annulment of and Appeals Against Public Tender Decisions**

Loans to Social Housing Companies are extended on the basis of public tenders, though it is possible that a Loan will not be made pursuant to a tender if the cost of the Loan is felt to be too high, such a decision will result in the annulment of the tender. A decision to award a Loan to the Issuer through a tender process could be the subject matter of an appeal procedure by, for example, a lender whose bid is not successful. However:

- (a) the Issuer will not issue the Notes until such time that the relevant appeal procedure has been completed and full comfort has been obtained that the award of the relevant Loan to the Issuer cannot be appealed; and
- (b) in addition, based on past activity of Social Housing Companies, as a result of the binary process of awarding tenders to the cheapest bidder as the sole selection criterion, there have been no such appeals.

### **No Loan without Regional Guarantee**

The process of making a Loan may, for administrative reasons, involve the execution of the document evidencing the Regional Guarantee shortly after the Loan has been made. This is a purely administrative matter and the Loan has the benefit of the Regional Guarantee from the time it is made. This is because the terms of the tender documentation pursuant to which the Loan is made, evidencing the agreement between the Borrower and the Issuer in relation to the Loan, makes it clear that it will benefit from the Regional Guarantee and the grant of such Regional Guarantee falls within the budgetary framework of the relevant Belgian Region. Thus, the administrative delay does not alter the substantive position.

## **Withholding or Deduction in Respect of Tax**

The Notes have been structured so that payment of interest on and repayment of principal in respect of them may be made free of any withholding or deduction for tax reasons.

To the extent that there is a change of circumstances, such that the Issuer is obliged to withhold or deduct certain amounts from payments of interest on and repayments of principal in respect of the Notes for tax reasons, the Issuer will have no additional funds to remedy the consequences of such withholding or deduction. In such circumstances, the Issuer has the right under the Terms and Conditions, but not the obligation, to redeem the relevant Notes in whole, but not in part, though it must satisfy certain requirements before it can exercise this right.

There can be no assurances that the Issuer will have sufficient funds available for it to be able to exercise this right and so Noteholders may be subject to the consequences of a withholding for tax reasons being imposed on the payments they receive.

## **Limited Number of Public Tenders**

The Issuer's ability to make Loans depends on its participation in tendering processes run by Borrowers. The number of public tenders organised may vary from year to year and will be limited by the financing needs of the Borrowers. The ability of the Issuer to increase the size of the Programme over time will depend on the number of public tenders that it can participate in and in which it is successful. As described in further detail below, increasing the size of the Programme reduces the costs allocable to each Tranche. However, irrespective of the size of the Programme, the Issuer will be self-sustaining in terms of its costs, as described in further detail below.

## **Cash Reserve**

The Issuer will have a Cash Reserve. While the amount of this Cash Reserve may increase over time and it is subject to the Issuer Security Arrangements, the amounts constituting the Cash Reserve will not benefit Noteholders. In the event that the Program Wide Security is enforced, the proceeds of such enforcement, as it relates to the Cash Reserve, will not be applied to meet the claims of Noteholders. Once the proceeds of enforcing the Issuer Security Arrangements have been applied, any residual claims of the Noteholders will be extinguished and the Cash Reserves, to the extent available to the Issuer, will be applied by it to meet any unsecured claims or otherwise paid, by way of dividend, to the holders of the Issuer's share capital, as prescribed by the terms thereof.

## **Rating of the Notes**

It is anticipated that the Notes will be rated by one or more Rating Agencies (although the specific Rating Agencies selected in respect of one Tranche of Notes may be different from those selected in respect of a different Tranche). The ratings will be specific to the Notes as issued and neither the Programme as a whole, nor the Issuer, will have a rating independent of the rating of the Notes.

There can be no assurance that any such ratings will continue for any period of time after the Notes are issued or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgment, circumstances so warrant. This could be for a variety of reasons, including

an adverse view of the structure of the Programme or the credit-worthiness of the Belgian Regions. Any rating agency other than the Rating Agencies appointed to rate the Notes could seek to rate the Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by the appointed Rating Agencies, such unsolicited ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt, any references to "ratings" or "rating" in this Base Prospectus and any Final Terms are to ratings assigned by the Rating Agencies rating the relevant Notes only.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

Certain of the Belgian Regions at the current time have negative rating outlooks, which may have an impact on the rating of the Notes.

### **Enforcement of Security for the Notes**

The Issuer will grant security over its assets as contemplated in the Issuer Security Arrangements. As indicated above, security will be granted by the Issuer over Loans for the purpose of securing obligations owed in respect of the Related Notes. Following the occurrence of an Issuer Event of Default, the ability of the Issuer to pay amounts due from it in respect of the Notes may depend upon whether the Related Loan could, at that time, be sold or otherwise realised so as to obtain an amount sufficient to redeem the relevant Notes. There is, as at the date of this Base Prospectus, no active nor liquid secondary market for assets of the type of the Loans in Belgium and while such a market may exist on a wider European basis, there can be no assurance that satisfactory sale or realisation in relation to the Loans would be achieved in that market either.

None of the Trustee or the Noteholders shall have a direct contractual relationship with any Borrower. As a result, while an occurrence of an Issuer Event of Default shall grant the Noteholders the right to enforce their security rights, through the Trustee, against the Issuer under the Issuer Security Arrangements, it shall not grant the Trustee or any Noteholder the right to proceed directly against a Borrower.

Further, the process of enforcing the Issuer Security Arrangements will necessitate certain steps, including obtaining the support of relevant Noteholders. Such a process can be time-consuming and involve costs being incurred, resulting in the possibility that amounts paid to such Noteholders will be reduced.

### **Early Redemption of Notes**

Under certain circumstances the Issuer may redeem a Tranche of Notes prior to its Scheduled Maturity Date (or Extended Maturity Date, if applicable). These circumstances include a prepayment in respect of the Related Loans, and the Issuer or the Borrower becoming subject to a regulatory or compliance obligation arising as a result of a change of law. While in the context of certain such redemptions the Issuer will be required to satisfy certain requirements before redemption of the Notes can occur, if such requirements are satisfied the relevant Noteholders may receive return of principal on their investment prior to the applicable Scheduled Maturity Date (or Extended Maturity Date, if applicable). The circumstances under which Noteholders will receive any additional payment because of such early redemption are limited.

## **RISKS RELATING TO THE LOANS**

### **Payment Obligation of the Borrowers**

The Loans constitute the payment obligations of the Borrowers, being entities operating within the broad area of social infrastructure in Belgium.

The financial condition of individual Borrowers may vary from time to time and under a variety of circumstances. There can be no assurance that the financial condition of one or more Borrowers will not deteriorate after the Loans are made to them and this may impact on their ability to pay interest on and repay the principal of such Loans. Any such failure by the Borrowers to pay interest on and repay the principal of one or more Loans will impact on the ability of the Issuer to pay interest on and repay principal in respect of the Related Notes and may, if sufficiently significant, impact upon the Issuer's ability to pay amounts owed to the Transaction Parties. The Notes do not benefit from cross-collateralisation across the entire pool of Loans, as indicated above.

### **Regional Guarantees**

Obligations of each of the Borrowers under the Loans will be financially supported, by way of the Regional Guarantees.

There can be no assurance that the financial condition of the Belgian Regions will not deteriorate over time, compromising the quality of financial support provided by way of the Regional Guarantees. Such deterioration could occur because of a decline in the income of a particular Belgian Region, due to reduced tax revenue being generated or collected, or an increase in spending by the Belgian Regions.

In addition, in the event of secession of a Belgian Region from the Kingdom of Belgium, there can be no assurance that the financial condition or creditworthiness of any seceding Belgian Region would not deteriorate or that the quality of financial support provided by such seceding Belgian Region in relation to the Borrowers would not be compromised. There can also be no assurance that such secession would not have an impact on the financial position of the remaining Belgian Regions. While secession has been a recurring theme in Belgian politics generally, no Belgian Region has taken formal steps in respect of secession. However, the Notes may have tenors extending over several years and there can be no assurance that secession will not be considered or undertaken during such period. The Notes do not contain any provision regarding early redemption in the event of secession and such provision is not expected in the context of the Related Loans.

Further, given that a significant proportion of the funding of the Belgian Regions is provided to them through budget allocations from the Federal State of Belgium, a deterioration in the financial position of the Federal Government of Belgium could also have a bearing on the financial position of the Belgian Regions. Any such deterioration could impact on the ability of the Borrower to pay interest on and repay the principal of the Loans made to them and hence the ability of the Issuer to pay interest on and repay the principal of the Related Notes.

Similarly, the level of support provided in respect of a particular Borrower may change over time as a result of changes in public policy, brought about by different circumstances, including changes in the identity or policy priorities of the government of the relevant Belgian Region.

While the Loans will be supported by way of the Regional Guarantees, the Notes themselves will not be guaranteed by the Regions.

### **Lack of Authority on Part of Borrowers or Regions**

From time to time, financing and risk management arrangements entered into by public sector entities in various countries have been challenged (after the event) by those entities, on the ground that the arrangements were entered into without the relevant entity possessing the necessary legal authority. The result of such a challenge is that the financing or risk management arrangements were not binding on those entities and the counterparties to them were unable to enforce their legal rights in the manner contemplated at the time the arrangements were entered into. Such actions were generally taken when the relevant arrangements were felt to be financially disadvantageous to the relevant public sector entities and were often taken following a change in government.

The Issuer Manager and the Board of Directors will, before authorising the Issuer to make any particular Loan, undertake a review, with professional advisors, as to the Borrower having the necessary authority to enter into the relevant arrangements and, in the context of the Belgian Regions, provide the applicable Regional Guarantees. There can be no assurance, however, that the authority of the Borrower or the Guarantor, as the case may be, will not be retrospectively withdrawn or otherwise challenged, particularly if the financial terms are viewed as disadvantageous to them.

### **Loan Documentation**

It is not expected that the documentation relating to Loans will be negotiated by the Borrowers. The Borrowers typically use a form of written agreement pursuant to which a Loan is made in the framework of a public procurement tender. While the Issuer will provide details of such written agreement in the Final Terms, the specific arrangements will be determined by the Borrowers.

Thus, unlike a loan negotiated between two commercial counterparties, the Issuer will not typically be able to use contractual provisions relating to the Loans to manage risk or seek compensation for risk.

### **Restrictions on Enforcement Action**

The Borrowers are entities operating within the Belgian public-sector, and are known in Belgium as "public law entities". The same is true of the Guarantors. As such, they occupy a position different from commercial entities in relation to the exercise of legal rights against them.

While the Issuer and the Issuer Manager, acting in conjunction with appropriate professional advisers, will undertake an analytical review process to ensure that this will not be the case, there can be no assurance that any Borrower or any Guarantor will not seek to claim protection specifically available to public law entities, such as an immunity from suit. In any event, enforcement of legal rights against any public law entity may involve consideration of public policy (such as whether such action should be allowed to interfere with the operations of that entity), which may have a bearing on the enforcement process and the considerations taken into account by any court considering the matter.

Such limitations on taking enforcement action generally lead to the debt obligations of public sector entities being renegotiated or rescheduled.

### **Limited Enforcement History**

The Belgian Regions have not, as far as is publicly known, failed to meet their respective financial obligations through an inability to make payment. Accordingly, there is no empirical evidence available to the Issuer or to the Issuer Manager in relation to the process of enforcing legal rights against the Belgian Regions in relation to a financing arrangement.

At the time of commencing the Programme, however, suitably qualified legal advisers have advised on the enforceability of obligations undertaken by the Belgian Regions in respect of the Guarantees.

As a general matter, enforcing credit arrangements against public sector entities which are unable to pay involves rescheduling of debts or forgiving debts, as indicated above. There can be no assurances that such a rescheduling or forgiving of debts would not have to be undertaken in the context of the Programme in the event of a deterioration in the financial condition of the Belgian Regions or any of them.

### **Variations in Guarantees**

The terms of Regional Guarantees are not necessarily uniform and the Issuer may have to go through procedural steps before being able to receive payment under a particular Regional Guarantee. In addition, the obligations under the Regional Guarantees or compliance with the procedural steps may be challenged by the Belgian Region issuing the Regional Guarantee itself, resulting in a dispute between the Issuer and that Belgian Region. Such challenge could be motivated by a desire to avoid making payments, even though the obligation to make payment is clear.

A detailed analysis of the terms of the Regional Guarantees typically provided by the Belgian Regions prior to the commencement of the Programme has been undertaken and an analysis of the terms of actual Regional Guarantees will be undertaken in the context of any Tranche of Notes being issued. While a specific Regional Guarantee will become a legally binding obligation of a Belgian Region once issued, there can be no assurance that any Belgian Region's general policy regarding the issuance or terms of guarantees will not change during the life of the Programme prior to the execution of a specific Guarantee in the context of a specific Tranche. However, details of each Regional Guarantee will be made available to potential investors in the Notes of any Tranche before the issuance thereof, being included as part of the Final Terms.

### **Withholding or Deduction in Respect of Tax**

The obligation of the Borrowers and the Guarantors to pay amounts due from them may be subject to a withholding or deduction for tax reasons. While the Issuer and the Issuer Manager will, determine whether this is the case at the time a Loan is originated, there can be no assurance that this will continue to be the case throughout the term of any Loan. Should a withholding or deduction for tax purposes be imposed, there can be no assurance that the relevant Borrower or Guarantor will be under any obligation to pay any additional amounts because of such withholding or deduction.

However, the Issuer is incorporated and undertakes its operations in Belgium and the Borrowers and Guarantors are similarly located in Belgium, thus mitigating the possibility of a withholding for tax reasons being imposed.

## **RISKS RELATING TO OPERATIONS**

### **The Role of the Issuer Manager**

The Issuer does not have any employees. The day-to-day activities of the Issuer will be undertaken by the Issuer Manager and other service providers on an arm's length basis, as described below. While the Issuer Manager appointed on the Programme Establishment Date has considerable experience in dealing with activities similar to the Issuer Manager Services, there can be no assurances that it will perform its obligations as contemplated or at all. Such a failure to perform may cause the Issuer to be unable to meet its obligations to pay interest on and repay the principal of the Notes. The Issuer Manager's business activities are not restricted to those undertaken in relation to the Issuer.

Further, while the Issuer Manager will, under the terms of the Issuer Management Agreement, be required to discharge its obligations in accordance with a prescribed standard, some actions it is required to take, particularly in connection with the Loan Administration Services, will be discretionary in nature and involve the exercise of judgement. As such, even if the Issuer Manager performs its services in accordance with the required standard, there can be no assurance that it will enable the Issuer to make payment in full or in a timely fashion of any of obligations in respect of the Notes. Ultimately, payment of interest on and repayment of principal in respect of the Loans is based on the willingness and ability of the Borrowers or, if applicable, the Guarantors, to make the relevant payments. In the event that such payments are not made voluntarily, there can be no assurance that the Issuer Manager will be able to obtain such payment, though, as part of the Loan Administration Services, it will seek to do so.

The Issuer Manager owes duties to the Issuer only and the Noteholders will not have any direct rights of action against the Issuer Manager.

### **The Role of the Board of Directors**

In addition to the Issuer Manager and other Transaction Parties, the Board of Directors will also play a significant role in relation to the operations of the Issuer. The role of the Board of Directors is to provide strategic direction to the Issuer and oversight of the Issuer Manager's decision-making process so that the Issuer Manager is acting in a manner that is supervised in relation to the material decisions it is required to take.

While the role of the Board of Directors may be more extensive than found in other financing vehicles and the members of the Board of Directors have been selected because of their experience in matters relating to the Belgian public finance and regional government operations, there can be no assurances that the strategic direction or oversight provided by the Board of Directors will ensure that the Issuer is able to realise all payments of interest and repayments of principal in respect of the Loans and hence make all payments of interest and repayments of principal in respect of the Related Notes in a timely fashion or at all, or that the Board of Directors will at all times exercise its oversight in a manner which otherwise optimises the position of the Issuer.



Noteholders will not, in any event, have any contractual relationship with the Board of Directors and will, in any event, be subject to express limitations in terms of taking any action against the Board of Directors.

### **Performance of other Transaction Participants**

In addition to the Issuer Manager, the Issuer has entered into arrangements with the Transaction Parties, as described elsewhere in this Base Prospectus, in relation to the issuance of the Notes.

While each of the Transaction Parties has undertaken obligations in accordance with specific contractual arrangements, there can be no assurance that they will discharge these obligations as contemplated or at all.

Any such failure on the part of the Issuer's counterparties could impact on the Issuer's ability to pay interest on or repay the principal of the Notes.

### **Termination of the Issuer Manager's Appointment**

The Issuer Management Agreement provides that under certain circumstances, described elsewhere in this Base Prospectus, the Board of Directors will have the right to replace the incumbent Issuer Manager.

Even if the Board of Directors exercises this right, there can be no assurance that a replacement for the Issuer Manager will be found or, even if found, that the replacement manager could discharge its functions in a manner designed to ensure that the Issuer is able to meet its payment obligations in respect of the Notes in a timely fashion or at all, or in a manner which was more favourable to the Issuer when the role was undertaken by the outgoing Issuer Manager.

The range of persons who have ability to perform the Issuer Management Services is limited and, in any event, where a replacement occurs there may be a period of delay before the new incumbent is able to discharge the Issuer Management Services with optimum efficiency.

### **Conflict of Interest**

The management arrangements in respect of the Issuer have been established so as to manage conflicts of interest. Specifically:

- (a) the Issuer Manager has agreed under the Issuer Management Agreement to specific rules requiring the Issuer Manager to proactively identify conflicts of interest that may arise, and disclose any potential conflicts to the Board of Directors prior to taking any action that could be prejudicial to the position of the Issuer; and
- (b) the Board of Directors will, as a matter of Belgian corporate law, owe duties to the Issuer to avoid conflicts of interest, and will provide directions to the Issuer Manager in respect of conflicts of interest that have been identified.

Notwithstanding these requirements, the possibility of conflicts of interest arising should be recognised. Should this be the case, the Issuer Manager and the Board of Directors will be required to respond in a manner consistent with their obligations to the Issuer. However, it is not possible to predict how such conflicts of interest will, in practice, be managed and there can be no assurances that such conflicts of interest will not impact upon the ability of the Issuer to pay interest on or repay the principal of the Notes.

## **Potential conflicts of interest involving the Intertrust Group**

As is typically the case for an entity such as the Issuer, numerous services are provided by professional service providers, among which certain entities, affiliates and employees of Intertrust Group ("**Intertrust Group**"). Intertrust Group is active in the trust and corporate services sector, providing commercial, legal, tax and administrative services to multinational corporations, financial institutions, alternative investment funds and entrepreneurs worldwide. Intertrust Group also offers management and administration services to capital markets across Europe. Intertrust Group has its main offices in the Netherlands and is present in Belgium as well.

In the context of the Programme, members or employees of the Intertrust Group provide the following services:

- (a) the establishment and operation of the Trustee;
- (b) the establishment and operation of the Issuer Shareholder;
- (c) acting for a limited period of time as director of the Issuer; and
- (d) acting as the Calculation Agent and Administrator and as the Corporate Services Provider.

Certain of these functions may give rise to conflicts of interest. For example, the main shareholder of the Issuer will be controlled by Intertrust Group and the Trustee will be controlled by Intertrust Group. Intertrust Group therefore has a role on both the debtor side and the creditor side of the structure. However, as is common in transactions of this nature, the obligation of entities involved are based upon the contractual framework which requires, as an example, that the Trustee takes action to enforce the rights of Noteholders under certain circumstances. The shareholder of the Issuer has no ability to stop such action and Intertrust Group as professional service provider have no reason to do so. Indeed, the business model of Intertrust Group and similar entities require that they abide by the contractual matrix in a transaction rather than acting in a discretionary manner. Similarly, the fact that the Issuer Manager has contributed the bulk of the capital of the Issuer may lead to a conflict of interest, by suggesting that this contribution gives to the Issuer Manager additional control rights over the Issuer. However, the fact that it has done so does not, in any way, undermine the right of the Issuer to seek its removal in accordance with the Issuer Management Agreement, nor does it otherwise reduce the extent of its contractual duties as Issuer Manager. Once again, the contractual matrix provides the rules that must be adhered to in order to effectively manage the Programme and conditions the behaviour of the entities involved.

## **The Role of the Rating Agencies**

It is expected, as indicated above, that the Notes will be rated by the Rating Agencies. While the Issuer Manager and the Board of Directors will, in undertaking any course of action in relation to the Issuer, be mindful of this impact on the rating of any Notes, no action that the Issuer Manager or the Board of Directors may take requires the consent or approval of the Rating Agencies. Noteholders should be aware that the Rating Agencies may revise or withdraw the ratings originally given to the Notes because of such action but such revision or withdrawal does not necessarily mean, and cannot be taken as an indication of, any failure on the part of the Issuer Manager or the Board of Directors.

## **The Role of the Trustee**

The Notes will be constituted pursuant to the Trust Deed. While, under the terms of the Trust Deed, the Trustee will have various powers, it has no obligation to exercise those powers or exercise any discretion and, as a general matter, will often not do so. The role of the Trustee in relation to the issuance of the Notes is essentially administrative. Noteholders should be aware that the role of the Trustee is not to "protect" the interest of Noteholders but rather to act, where appropriate, as an intermediary between Noteholders and the Issuer in accordance with the contractual framework under which it operates. Entities such as the Trustee are generally disinclined to exercise any discretionary powers which they may have unless they are adequately protected.

## THE BELGIAN REGIONAL GOVERNMENTS AND THEIR FINANCES

### The Belgian System of Public Administration

The Kingdom of Belgium is a federal state in Western Europe and is also a constitutional monarchy. It is comprised of three regions: the Dutch speaking Flemish Region in the north of the country; the French speaking Walloon Region in the south of the country and the Brussels-Capital Region, which is located in the centre of the country and is its capital. Each of the regions are culturally different.

The conduct of public administration in Belgium is undertaken at the following levels:

- (a) **the Federal-level:** through the federal government, located in Brussels;
- (b) **the Community-level:** being divided between the Flemish community, the French community and the German-speaking community. The communities represent a demographic sub-division of the country, recognising the major population groupings and the fact that each has its own linguistic affiliation; and
- (c) **the Regional level:** which is geographically divided between the Flemish Region; the Walloon Region and the Brussels Capital Region. Each of the Flemish and Walloon Region is sub-divided into five provinces. Each of the provinces also has specific powers under the applicable system of public administration.

This structure, which reflects constitutional reforms undertaken in Belgium from the early 1970's to 2011, is reflected in the first Article of the Belgian Constitution, which provides that Belgium is a federal state, composed of communities and regions. It is felt that the devolution of responsibility to the Community-level and the Regional-level has been beneficial in aligning the public administration to the requirements of the populace, as well as facilitating some efficiency benchmarks between individual regions and communities.

Each level of the public administration has specific responsibilities, though there is a degree of overlap in the various powers. The Federal-level of the public administration has authority over matters including defence, social security, foreign relations and various aspects of public finances. The activities of the Federal government are undertaken in respect of the whole country. At the Community-level, authority is exercised within linguistically determined geographical boundaries, mostly in connection with matters that have a direct impact on individuals within the relevant communities. Matters that are dealt with at the Community-level include culture, education and the use of the community language. Other matters dealt with at this level include health policy, social welfare, family matters and immigration assistance. At the Regional-level, authority is exercised over matters associated with the territory of the region. These include the regional economies, employment, agriculture, water policy, housing, public works, energy, transport and town and county planning. Even though there is some overlap in subject matter, responsibilities for specific decisions are generally well defined. Thus, as an example, the communities have autonomy over the field of education but determining the minimum requirements for the award of qualifications remain with the Federal-level and applies across the country as a whole. The system of public administration in Belgium is well established and is perceived to be stable.

Below the Community-level and Regional-level are provinces, which exercise powers in fields such as education, social and cultural infrastructure, preventative medicine and social policy.

While they have a degree of autonomy, they exercise their power under the supervision of the communities and the regions. Below the provinces are the municipalities (there are, as indicated above, five provinces each in the Flemish Region and the Walloon Region and an aggregate of 589 municipalities). The Brussels Capital Region does not have any provinces, but does have 19 municipalities. Municipalities have a legal monopoly on electricity distribution, though nearly all municipalities have transferred these rights to inter-municipal companies called "intercommunales". A significant part of the funding of these inter-municipal companies is provided from their own commercial activities within a regulated framework.

## The Belgian Economy

### Basic Belgian Economic Statistics (2011)<sup>1</sup>

Population	
Total Population	11 million
Percentage under 15	17 %
Percentage over 65	17.4 %

Economy	
GDP	€369.9 billion
Growth over last 5 years	1 %
Primary	0.7 %
Industry	22.7 %
Services	76.6 %

The Belgian economy is considered open and modern and is driven by private enterprise. With a diversified industrial and commercial base, Belgium was one of the first European countries to experience an industrial revolution.

The predominant industries include steel, textiles, chemicals, food processing, pharmaceuticals and electronics and much of what is produced is exported. The services sector is also highly developed and makes a significant contribution to GDP. Finally, Belgium is the location for numerous agencies of the European Union, which gives it an importance within Europe, as well as being the headquarters of NATO. Belgium, however, has few natural resources of its own, with much of the trading activity being with other European countries and this makes the economy vulnerable to commodity price increases and to regional economic fluctuations. According to the 2013 OECD Survey of Belgium ("**OECD Survey**"), the country has weathered the global financial crisis relatively well, with a much smaller increase in unemployment than in many other OECD countries. However, economic recovery has been weak (there was a small decrease in GDP in 2012) and public sector liabilities remain high, particularly because of the obligations undertaken in relation to action taken to stabilise the banking sector with public guarantees in the sector totaling 16 per cent of GDP at the end of 2012. Public sector debt itself was almost 100 per cent of GDP in 2012. It may be the case that until the problem of relatively high public sector debt is addressed, that economic growth within Belgium will remain slow.

The OECD estimates that the 2013 Belgian budget is likely to have a deficit of 2.5 per cent of GDP. According to the OECD Survey, the Belgian government is committed to achieving a

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<sup>1</sup> 2013 OECD Survey of Belgium

balanced budget by 2015, with this being accomplished through a combination of both revenue measures and expenditure measures. As a trend, more taxing and spending power is being devolved from the Federal-level to the Regional-level. The OECD Survey indicates that three inter-linked issues need to be addressed: the first is the speed at which the public sector debt reduction can take place, which impacts upon interest costs, thus providing more "spare revenue" for essential expenses, such as healthcare costs relating to an ageing population; the second is structural measures to contain expenditure pressures arising because of the ageing population; and the third is reductions in non-ageing related expenditures. According to the OECD Survey, an aging population is one of the key challenges that Belgium faces.

The OECD anticipates that with some level of reform, the long-term growth rate of Belgium will be around 2 per cent, though it could be higher. Accelerated economic growth would be a positive for, among other reasons, reducing the public debt burden.

The OECD estimates that achieving the 2015 fiscal target could return Belgium's public debt to its 2011 level of approximately 98 per cent of GDP. Beyond 2015, attention should focus on sustained debt reduction – assuming 2 per cent real GDP growth and 2 per cent inflation (on average), the OECD Survey reports that budget balances after 2015 would reduce debt to 60 per cent in 2025 and 35 per cent by 2040. However, in order to maintain a balanced budget or a small surplus, ageing-related spending pressures must be addressed through broad-based pension and health care reform, and if not, this could lead to higher public debt and interest payments from the early 2020s.

### **Overview of the Belgian Tax Framework**

Like the system of public administration as a whole, the Belgian tax system can also be divided into various levels. The main categories of tax levied at the Federal-level are income tax (*inkomstenbelasting / impôts sur les revenus*), value added tax (*belasting over de toegevoegde waarde / taxe sur la valeur ajoutée*), and customs and excise duties. The rates for these taxes are uniform across the country.

The Belgian Regions also levy various taxes, including business tax, taxes on self-employed persons, taxes on non-residential floor space as well as inheritance tax (*successierechten / droits de succession*) and registration duties (*registratierechten / droit d'enregistrement*). The rates for these taxes vary across the Belgian Regions and are set on a Regional-basis. The provinces and communes also have the power to levy various taxes, such as surcharges on income taxes or specific levies on personnel employed, sewers and roads.

In addition to their independent power to levy taxes, there is a system of transferring tax revenues from the Federal - level to the Community and Regional levels and to the level of the provinces and communes. This recognises that many public services are provided at the Community and Regional level.

Since 2002, the Belgian Regions have had significantly more fiscal autonomy, with federal transfers of tax revenue replaced by taxes levied by the Regions, which were property focused and inheritance focused. However, they also receive significant amounts by way of transfers from the Federal-level.

## The Rating Position of the Kingdom of Belgium

The Kingdom of Belgium has the following credit ratings as at the date of this Base Prospectus:

	<b>Fitch</b>	<b>S&amp;P</b>	<b>Moody's</b>
<b>Long Term</b>	AA (negative)	AA (negative)	Aa3 (negative)
<b>Short Term</b>	F1+ (negative)	A-1 (negative)	P-1 (negative)

Belgium is regarded by the Rating Agencies whose ratings are set out above as having a diversified, industrialised economy with strong institutions. It has had consistent access to the international debt capital markets. However, as indicated above, its public sector debt is high and it faces the challenges of an aging population and potential liabilities arising from its banking system. It has lower private sector debt than its peer group nations and its households have high savings, providing a stable source of funding for its banks. It has a sound reputation for fiscal prudence and government revenue is also strong and stable, suggesting that the tax administration is well organised.

However, Belgium also has some structural weaknesses, which impact upon its economic position. It currently has a banking sector whose assets are three times the size of its GDP, representing a significant contingent liability. State-guaranteed bank debt is estimated at €51 billion. The system of public administration described above also gives rise to some degree of political instability. This has resulted in political deadlock and the formation of coalition governments.

## The Flemish Region

Flanders accounts for 57.4 per cent of Belgium's GDP and covers 40 per cent of the country's territory, with per capita GDP exceeding the EU-27 average by 16 per cent. It has a diversified, industrialised economy but is more export-dependent (particularly on EU-exports) than the Brussels Capital Region, with a focus on oil and chemical products, metallurgy, plastics and food processing. It has significant financial commitments, particularly in relation to education and social care. Further, its population is gradually ageing, with inhabitants over the age of 65 representing 19 per cent of Flanders' population. This will impose budgetary pressures on Flanders in the years to come, particularly if the Federal government seeks larger contributions from the Regional governments in terms of funding pensions and other age-related social benefits. It also has an extended public-sector, which employs 26.4 per cent of the working population, and hence has a significant public sector wage cost. That said, its public finances are perceived as well managed, both from an income and expenditure perspective and from a cash management perspective.

## Flemish Regional Revenues<sup>2</sup>

<b>(€000's)</b>	<b>Budget control 2010</b>	<b>Budget control 2011</b>	<b>Initial Budget 2012</b>
<b>Common and Shared taxes</b>			
Region – Income tax without Lambermont	8,208,974	8,662,758	9,062,605
Region – Income tax Lambermont deduction	-2,639,612	-2,778,403	-2,897,878
Region – Income tax: additional means for additional competences	71,74	75,982	79,63

<sup>2</sup> Budget of the Flemish Community 2012, 2011, 2010

<b>Total Region after Lambermont: common taxes</b>	5,641,102	5,960,337	6,244,357
Community – Income tax without Lambermont	3,774,010	3,984,059	4,169,453
Community – VAT without Lambermont	6,656,471	6,898,560	7,093,194
Community – Additional VAT Lambermont	963,318	1,234,631	1,461,593
<b>Total Community after Lambermont: shared taxes</b>	11,393,799	12,117,250	12,724,240
Probable deduction year N-1(one-off)	-368,886	150,88	187,144
<b>Grand Total Common and shared taxes</b>	16,666,015	18,228,466	19,155,742
<b>Allowances from Federal level</b>			
Employment programmes	261,56	261,56	261,56
Foreign students	33,777	34,891	35,866
Foreign students (deduction)	-349	196	272
Compensation of radio- and tv-fees	535,976	553,644	569,116
Compensation of radio- and tv-fees (deduction)	-5,542	3,112	4,313
Take-over road tax		14,006	14,397
Take-over road tax (deduction)		0	109
<b>Total allowances from Federal level</b>	825,422	867,409	885,632
<b>Regional Taxes</b>	4,284,249	4,800,582	5,050,580
Other non-fiscal revenues	798,627	409,263	410,227
Lottery	36,79	36,753	36,783
Specific receipts	112,372	112,284	117,455
<b>Institutions within consolidation perimeter</b>		1,439,739	1,270,277
<b>Total financing means SEC95-corrected</b>	22,723,475	25,894,497	26,926,696

### Employment Data<sup>3</sup>

Employment statistics for the Flemish region has been relatively static over the period 2004 to 2012. Unemployment over this period moved between 3.9 and 5.4 per cent whilst employment has increased by 0.8%.

Year	Unemployment	Employment
2004	4.5%	50.8%
2005	5.4%	51.5%
2006	5.0%	51.5%
2007	4.3%	52.4%
2008	3.9%	52.6%
2009	4.9%	51.9%
2010	5.1%	52.3%
2011	4.3%	52.0%
2012	4.5%	51.6%

<sup>3</sup> Source: Eurostat Employment Rates by NUTS 2 Regions



## Population<sup>4</sup>

The Flemish region's population shows steady growth over the period 2004 to 2012. Whilst the Flemish region's population grew by 5.9 per cent over this period, the Belgian population as a whole grew by 6.7 per cent.

(000's)	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Belgium</b>	10,396.4	10,445.9	10,511.4	10,584.5	10,666.9	10,753.1	10,839.9	11,000.6	11,094.9
<b>Brussels</b>	999.9	1,006.7	1,018.8	1,031.2	1,048.5	1,068.5	1,089.5	1,136.8	1,159.4
<b>Flanders</b>	6,016.0	6,043.2	6,078.6	6,117.4	6,161.6	6,208.9	6,252.0	6,325.7	6,372.6
<b>Wallonia</b>	3,380.5	3,395.9	3,414.0	3,435.9	3,456.8	3,475.7	3,498.4	3,538.1	3,562.8

## GDP Growth (% change Year on Year)<sup>5</sup>

GDP for the Flemish region does reflect the impact of the financial crisis in 2008 onwards. As of 2013 GDP was positive at 0.2%. GDP growth is forecast to remain low for the foreseeable future, remaining below 2% through 2018. It is noticeable that there is a strong correlation between the GDP for Belgium as a whole and Flanders as a region over this period, reflecting its importance in contributing to the national economy.

	<b>Flanders</b>	<b>Belgium</b>
<b>2000</b>	3.8%	3.7%
<b>2001</b>	0.3%	0.8%
<b>2002</b>	1.2%	1.4%
<b>2003</b>	0.8%	0.8%
<b>2004</b>	3.5%	3.3%
<b>2005</b>	1.6%	1.8%
<b>2006</b>	2.9%	2.7%
<b>2007</b>	3.6%	2.9%
<b>2008</b>	0.7%	1%
<b>2009</b>	-3.1%	-2.8%
<b>2010</b>	2.3%	2.4%
<b>2011</b>	1.9%	1.8%
<b>2012</b>	-0.3%	-0.2%
<b>2013 (f)</b>	0.2%	0.2%
<b>2014 (f)</b>	1.2%	1.2%
<b>2015 (f)</b>	1.5%	1.5%
<b>2016 (f)</b>	1.7%	1.7%
<b>2017 (f)</b>	1.8%	1.8%

<sup>4</sup> Source: Eurostat Population by NUTS 2 Regions

<sup>5</sup> IWEPS; <http://www.iweps.be/perspectives-du-pib-en-volume>

2018 (f)	1.9%	1.9%
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## Flemish Region's Expenditure<sup>6</sup>

Expenditure for 2012 amounts to a total of €27.2bn and the three highest spending sectors are Education and Training (37.9% of total expenditure), Welfare, Public Health and Family (13.6% of total expenditure) and Mobility and Public Works (11.1% of total expenditure). By far the greatest expenditure is concentrated on Education and Training and this has consistently been so over the last three years.

(€000's)	2010 REA	2011*	2012**
<b>Higher entities</b>	114,354	119,533	122,580
<b>Services for the General Government Policy</b>	126,101	151,832	155,698
<b>Administrative Affairs</b>	2,613,577	2,720,489	2,780,385
<b>Finance and Budget</b>	514,491	748,843	988,087
<b>Flemish Foreign Affairs</b>	151,478	187,150	219,121
<b>Economy, Science and Innovation</b>	978,910	1,107,894	1,263,774
<b>Education and Training</b>	9,809,980	10,154,432	10,317,455
<b>Welfare, Public health and Family</b>	3,290,772	3,527,757	3,723,439
<b>Culture, Youth, Sport and Media</b>	1,200,901	1,195,144	1,217,438
<b>Work and Social Economy</b>	1,376,551	1,451,800	1,523,554
<b>Agriculture and Fisheries</b>	154,368	178,388	177,182
<b>Environment, Nature and Energy</b>	723,852	879,509	914,244
<b>Mobility and Public Works</b>	2,793,807	3,005,467	3,036,382
<b>Town and Country Planning, Housing Policy and Immovable Heritage</b>	553,496	694,939	788,370
<b>TOTAL</b>	<b>24,402,638</b>	<b>26,123,177</b>	<b>27,227,709</b>
ESA-corrections	122,526	-28,639	10,536
underused capacity		-202,699	-310,526
<b>TOTAL ESA corrected expenditures</b>	<b>24,525,165</b>	<b>25,891,839</b>	<b>26,927,719</b>

\* Budget Control dated 8 July 2011

\*\*Budget 2012 dated 23 December 2011

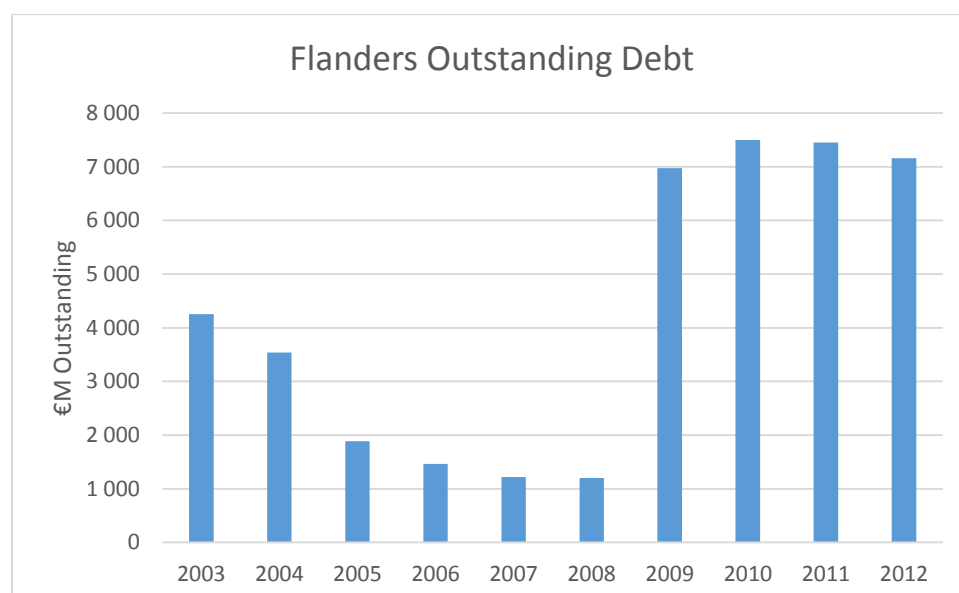
## Flemish Regions' Outstanding Debt

During the global economic turmoil, the Flemish region's indebtedness profile shows a low indebtedness up to 2008 of slightly over €1bn and then a material increase in indebtedness in 2009 to approximately €7bn, mostly in dealing with the consequences of the economic crisis. Fiscal discipline over the next two years however meant that the outstanding debt was

<sup>6</sup> Source: Fin.vlaanderen.be and Budget of the Flemish Region 2011 and 2012.

maintained below €8bn and indebtedness was trending down in 2012 though still remaining above €7bn. At the end of 2012, the Flemish Region had guarantees comprising of €9.6bn outstanding of which 66% (€6.4bn) were issued to support the obligations of social housing entities.<sup>7</sup>

**Chart: Evolution of Outstanding Debt<sup>8</sup>**



The Flemish region has a programme of EMTN issuance and issuance over the period 2009 to 2012 is set out below. Of note is that the maturities are mostly inside of 10 years and there is no clear trend in the duration of issued bonds.

**Overview of outstanding EMTN Issuances<sup>9</sup>**

Issued	ISIN	Amount (€)	Maturity
30/03/2009	BE0001704551	1,250,000,000	31/03/2014
20/07/2009	BE0001707588	1,250,000,000	20/07/2016
10/03/2010	BE0001709600	30,000,000	10/03/2020
18/08/2010	BE0001710616	140,000,000	18/08/2020
12/05/2011	BE0001713644	200,000,000	12/05/2015
20/03/2012	BE0001714659	750,000,000	31/01/2018

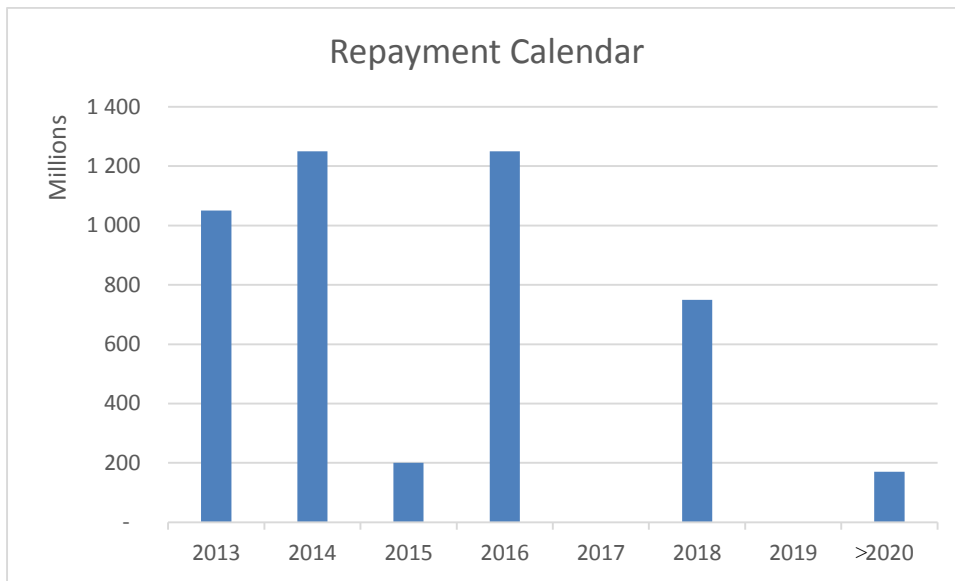
Debt repayment for EMTN issuances show two key repayment years, being 2014 and 2016 where both years show slightly more than €1.2bn repayment obligations, with each annual payment representing approximately 17% of total Flemish debt currently outstanding.

<sup>7</sup> Source: Het rapport kas-, schuld- en waarborgbeheer 2012

<sup>8</sup> Source: NBB

<sup>9</sup> Source: Bloomberg

**Chart: Repayment Schedule for EMTN Issuances<sup>10</sup>**



**The Rating Position of the Flemish Region**

As at the date of this Base Prospectus, the Flemish Region had the following credit ratings:

	<b>Fitch</b>	<b>S&amp;P</b>	<b>Moody's</b>
<b>Long Term</b>	AA (negative)	AA (negative)	Aa2 (negative)
<b>Short Term</b>	F1+ (negative)	A-1+ (negative)	P-1 (negative)

<sup>10</sup> Source: Bloomberg

## The Walloon Region

Wallonia covers 55 per cent of the territory of Belgium. It has significant reserves of iron and coal and these resources played a part in the region becoming one of the first industrialised areas of Europe. Historically, the region was the centre of the Belgian steel industry. However, the decline of that industry has resulted in Wallonia focusing on other industries including glass production, lime and limestone production and other technology focused activities.

### Walloon Regional Revenues<sup>11</sup>

(€000's)	2011	2012 F	2013 F
<b>General income</b>	6,084,377	6,298,151	6,471,566
Tax-related general income	1,729,515	1,866,553	1,993,592
regional taxes	1,677,398	1,790,349	1,887,609
taxes perceived by the Region	52,117	76,204	105,983
Non tax-related general income	4,354,862	4,431,598	4,477,974
<b>Capital income</b>	632,845	619,264	657,811
Tax-related capital income	587,651	598,411	624,246
Non tax related capital income	45,194	20,853	33,565
<b>Total</b>	<b>7,117,222</b>	<b>6,917,415</b>	<b>7,129,377</b>

### Walloon Regional Expenses<sup>12</sup>

(€000's)	2011	2012 F	2013 F
<b>Walloon Parliament</b>	44,337	45,837	47,117
<b>Ministerial Cabinets</b>	24,117	24,164	24,156
<b>Services of the Walloon Government</b>	173,332	177,094	170,234
General Secretary's Office	43,298	40,783	42,702
HR and general affaires	97,996	89,034	95,743
Budget, logistics and ICT	457,375	468,231	494,979
Roads and buildings	529,344	525,578	508,563
Mobility and canals	724,361	748,092	755,931
Agriculture, natural ressources and environment	445,028	433,405	449,282
Urban planning, housing, heritage and energy	557,149	615,840	613,353
Municipalities, social action and health	2,332,262	2,409,562	2,491,837
Enterprises, employment and research	1,848,173	1,954,916	1,825,524
Tax administration	30,370	22,760	20,118
Rural and economic impulsion fund	43,841	-	132,467
Priority actions for the Walloon future and Marshall Plan 2.Green	2,976	-	-
<b>Total spendings</b>	<b>7,353,959</b>	<b>7,555,296</b>	<b>7,672,006</b>

<sup>11</sup> Parlement Wallon 2012-2013: Budget des Recettes et des Dépenses de la Région Wallonne pour l'année budgétaire 2013

<sup>12</sup> Parlement Wallon 2012-2013: Budget des Recettes et des Dépenses de la Région wallonne pour l'année budgétaire 2013

## Employment Data

Employment statistics for the Walloon region has also been relatively static over the period 2004 to 2012. Unemployment over this period remained at a relatively high number of between 11.8 per cent and 9.5 per cent whilst employment has increased by 2 per cent over this period.

### Employment Data<sup>13</sup>

Year	Unemployment	Employment
2004	11.0%	44.3%
2005	11.8%	45.0%
2006	11.7%	45.1%
2007	10.5%	45.8%
2008	10.0%	46.3%
2009	11.2%	45.3%
2010	11.4%	45.8%
2011	9.5%	45.9%
2012	10.0%	46.0%

### Population<sup>14</sup>

The Walloon region's population shows steady growth over the period 2004 to 2012. Whilst the Walloon region's population grew by 5.4 per cent over this period, the Belgian population as a whole grew by 6.7 per cent.

(000's)	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belgium	10,396.4	10,445.9	10,511.4	10,584.5	10,666.9	10,753.1	10,839.9	11,000.6	11,094.9
Brussels	999.9	1,006.7	1,018.8	1,031.2	1,048.5	1,068.5	1,089.5	1,136.8	1,159.4
Flanders	6,016.0	6,043.2	6,078.6	6,117.4	6,161.6	6,208.9	6,252.0	6,325.7	6,372.6
Wallonia	3,380.5	3,395.9	3,414.0	3,435.9	3,456.8	3,475.7	3,498.4	3,538.1	3,562.8

### GDP Growth (% change Year on Year)<sup>15</sup>

GDP for the Walloon region also reflect the impact of the financial crisis in 2008 onwards but to a far lesser degree than that of the Flanders region, with a dip to -2.9% in 2009 and then showing reasonably strong growth over 2010 and 2011. The forecast through to 2018 is muted and more in line with the GDP forecast of Belgium as a whole reflecting the gradual recovery post economic crisis.

	Wallonia	Belgium
2000	3.7%	3.7%
2001	1.1%	0.8%
2002	0.7%	1.4%

<sup>13</sup> Source: Eurostat Employment Rates by NUTS 2 Regions

<sup>14</sup> Source: Eurostat Population by NUTS 2 Regions

<sup>15</sup> IWEPS; <http://www.iweps.be/perspectives-du-pib-en-volume>

<b>2003</b>	1.5%	0.8%
<b>2004</b>	3.3%	3.3%
<b>2005</b>	1.3%	1.8%
<b>2006</b>	2.4%	2.7%
<b>2007</b>	2.1%	2.9%
<b>2008</b>	2%	1%
<b>2009</b>	-2.8%	-2.8%
<b>2010</b>	3.2%	2.4%
<b>2011</b>	2%	1.8%
<b>2012</b>	0.1%	-0.2%
<b>2013 (f)</b>	0.3%	0.2%
<b>2014 (f)</b>	1.2%	1.2%
<b>2015 (f)</b>	1.5%	1.5%
<b>2016 (f)</b>	1.7%	1.7%
<b>2017 (f)</b>	1.9%	1.8%
<b>2018 (f)</b>	1.9%	1.9%

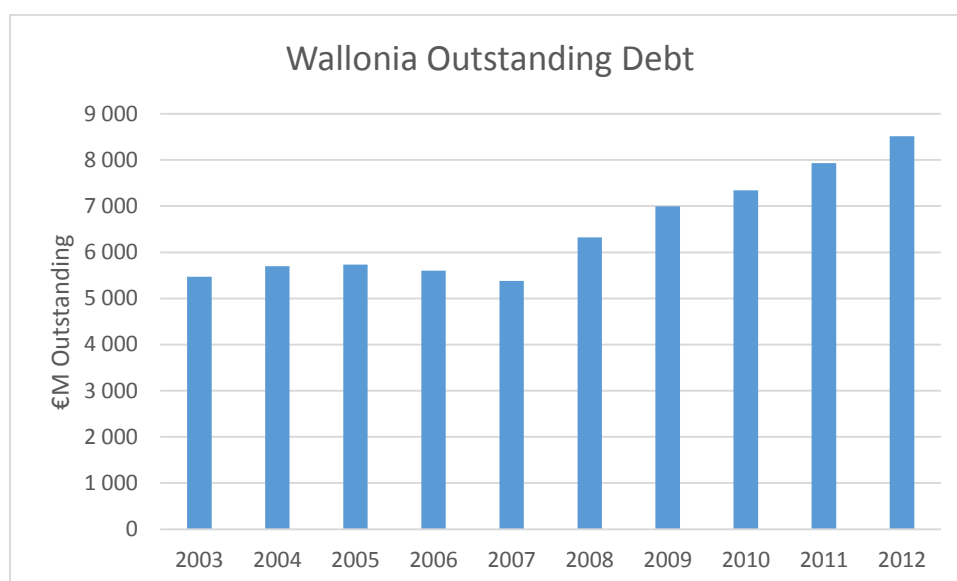
### **Outstanding Debt**

The Walloon region shows a slight dip in indebtedness to 2007 but then a steady increase in indebtedness through 2008 to 2012. The region is more active in raising public debt than the Flemish region and on a proportional comparison, the Walloon region is more indebted and no discernible trend to reducing debt is evident by the end of 2012. The Walloon region is less industrialised than the Flemish region and the indebtedness profile of the Walloon region reflects this fact. At the end of 2012, the Walloon Region has guarantees comprising of €6.2bn outstanding of which 72% (€4.4bn) were issued to support the obligations of the social housing entities.<sup>16</sup>

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<sup>16</sup> Source: Rapport annuel 2012 de la dette de la Wallonie

**Chart: Evolution of Outstanding Debt<sup>17</sup>**



**Overview of outstanding EMTN Issuance<sup>18</sup>**

MTN issuance range from 2 years to 20 years with issuance levels progressively increasing through to 2012. There has not been a discernible trend of shortening of tenors during the 2011 – 2012 period.

Issued	ISIN	Amount	Maturity
2004	BE5951681527	€ 100,000,000	19/05/2014
2004	BE0119722248	€ 20,000,000	23/08/2019
2005	BE5958101701	€ 15,000,000	25/04/2023
2005	BE0930351243	€ 100,000,000	01/06/2020
2005	BE5960191260	€ 50,000,000	31/08/2025
2005	BE5961072345	€ 15,000,000	29/09/2025
2006	BE0931446521	€ 30,000,000	27/04/2018
2007	BE0932974281	€ 52,000,000	31/05/2022
2010	BE6000667533	€ 100,000,000	22/02/2021
2010	BE6000739282	€ 50,000,000	08/04/2030
2010	BE6202086037	€ 100,000,000	24/08/2020
2010	BE6208397099	€ 50,000,000	28/09/2016
2010	BE0001711622	€ 100,000,000	28/09/2019
2011	BE0001712638	€ 60,000,000	28/01/2019
2011	BE6221600206	€ 22,000,000	02/06/2016
2011	BE6223115807	€ 15,000,000	06/07/2017
2011	BE6223116813	€ 25,000,000	06/07/2020
2011	BE6226264289	€ 20,000,000	08/09/2023
2011	BE6227347448	€ 20,000,000	07/10/2020
2011	BE6230783852	€ 30,000,000	19/12/2024
2012	BE6232123677	€ 200,000,000	26/01/2023
2012	BE6233811098	€ 10,000,000	28/09/2017
2012	BE6236972665	€ 30,000,000	05/09/2018

<sup>17</sup> Source: NBB

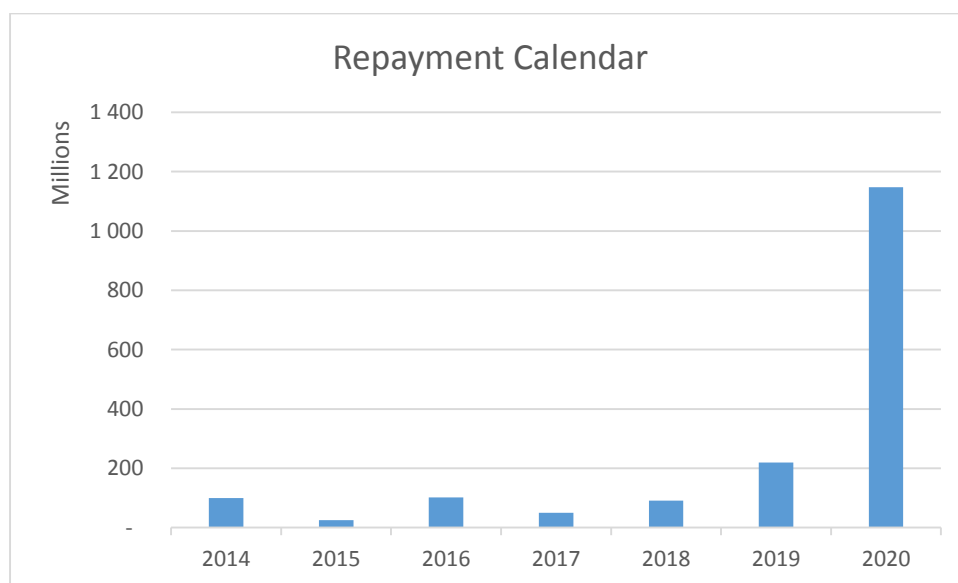
<sup>18</sup> Source: Bloomberg



2012	BE6236973671	€ 11,250,000	08/10/2018
2012	BE6237806276	€ 70,000,000	11/05/2022
2012	BE6238103335	€ 30,000,000	17/05/2022
2012	BE6238300360	€ 40,000,000	24/05/2019
2012	BE6238527699	€ 25,000,000	29/05/2017
2012	BE6238686347	€ 10,000,000	31/05/2022
2012	BE6240770816	€ 10,000,000	10/09/2018
2013	BE6249030964	€ 40,000,000	06/07/2023
2013	BE6249007731	€ 15,000,000	06/02/2028
2013	BE6249434158	€ 50,000,000	28/12/2022
2013	BE6251735856	€ 10,000,000	28/03/2018
2013	BE6251736862	€ 15,000,000	28/03/2020
2013	BE6251917736	€ 20,000,000	09/04/2038
2013	BE6254168931	€ 50,000,000	13/06/2033
2013	BE6254710534	€ 25,000,000	27/01/2015
2013	BE6254660036	€ 60,000,000	28/06/2024
2013	BE6256406032	€ 10,000,000	26/10/2020
2013	BE6258559226	€ 30,000,000	12/12/2016

Debt repayments remain at relatively low levels throughout the period 2014 to 2019 and then spikes to just under €B in the years after 2020 which represents approximately 13.9% of total debt outstanding.

**Chart: Repayment Schedule for outstanding EMTN issuance<sup>19</sup>**



<sup>19</sup> Source: Bloomberg

## The Rating Position of the Walloon Region

As at the date of this Base Prospectus, the Walloon Region has the following credit rating:

	<b>Fitch</b>	<b>S&amp;P</b>	<b>Moody's</b>
Long Term	Not publicly rated	Not publicly rated	A1(negative)
Short Term	Not publicly rated	Not publicly rated	P-1(negative)

## The Brussels Capital Region

The Brussels Capital Region represents the capital of Belgium and is the main seat of the EU's institutions. As such, it has a unique position among urbanised areas in Europe.

The Brussels Capital Region has a population of 1.1 million inhabitants, or 10.2 per cent of the country's population in 2011, making it the smallest of the Belgian Regions in terms of population and in terms of size. While the region has a significant record of creating employment, many of the positions are filled by persons who commute from other of the Belgian Regions. Further, Brussels attracts those seeking employment – some of whom are unskilled. Consequently, notwithstanding the track record of job creation, the unemployment rate is relatively high. Moreover, a significant number of jobs are within the public-sector. However, income levels are high and financial management is strong, with tax revenues having grown steadily over time.

### Brussels Capital Regional Revenues<sup>20</sup>

Revenue analysis for the periods 2011 to 2012 are set out below. As with the other Belgian regions, revenues have increased over this period, with total revenues increasing from 2011 to 2012 by 10.8%.

(€000's)	2011 Ini	2011 Aju	2012 Ini
<b>Regional taxes</b>	1,058,990	1,138,374	1,171,166
1) Inheritance Taxes	321,863	343,747	350,533
2) Registration Taxes	417,367	467,815	486,213
3) Other regional axes	319,760	326,812	334,400
<b>Regional levies</b>	112,081	116,585	116,767
1) Autonomous regional tax	107,370	111,810	111,810
2) Other	4,711	4,775	4,957
<b>Allocated Income Taxes</b>	907,168	939,770	1,024,479
<b>Income from the Agglomeration</b>	147,258	145,285	155,184
<b>Transfers from the Federal state</b>	132,879	52,690	52,690
<b>Dead-hand</b>	37,085	37,393	64,986
<b>Newly transferred competences</b>	37,237	37,818	39,636
<b>Mobility</b>			45,000
<b>Linguistical premiums</b>			4,000
<b>Other income</b>	17,695	22,471	16,366
<b>Incomes from organic funds</b>	16,847	24,808	43,323
<b>Total</b>	<b>2,467,167</b>	<b>2,515,194</b>	<b>2,733,597</b>

### Employment Data<sup>21</sup>

Employment statistics for the Brussels Capital region has also been relatively static over the period 2004 to 2012 and this at a time of unprecedented economic upheaval. Unemployment over this period remained at a relatively high number, and has grown from 13.5% to 2004 to 17.4% in 2012, reflecting the highest unemployment numbers of all the Belgian regions. Employment numbers though have remained between 44.0 and 46.2 per cent.

<sup>20</sup> <http://www.brussels.irisnet.be/files-en/about-the-region/finances/budget-regional/AlgemeneToelichting.pdf>

<sup>21</sup> Source: Eurostat Employment Rates by NUTS 2 Regions

	<b>Unemployment</b>	<b>Employment</b>
<b>2004</b>	13.5%	45.1%
<b>2005</b>	16.3%	45.1%
<b>2006</b>	17.6%	44.0%
<b>2007</b>	17.1%	45.2%
<b>2008</b>	15.9%	46.2%
<b>2009</b>	15.7%	46.0%
<b>2010</b>	17.3%	45.9%
<b>2011</b>	16.9%	45.3%
<b>2012</b>	17.4%	45.5%

## Population Data

The Brussels Capital region's population shows by far the greatest increase in population of all the Belgian regions growing by just under 16% over the period 2004 to 2012. This growth in population is approximately three times as much in the growth in the other two Belgian regions and represents a major factor in the overall population growth of Belgium, which grew by 6.7% per cent over this period.

## Population<sup>22</sup>

<b>(000's)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Belgium</b>	10,396.4	10,445.9	10,511.4	10,584.5	10,666.9	10,753.1	10,839.9	11,000.6	11,094.9
<b>Brussels</b>	999.9	1,006.7	1,018.8	1,031.2	1,048.5	1,068.5	1,089.5	1,136.8	1,159.4
<b>Flanders</b>	6,016.0	6,043.2	6,078.6	6,117.4	6,161.6	6,208.9	6,252.0	6,325.7	6,372.6
<b>Wallonia</b>	3,380.5	3,395.9	3,414.0	3,435.9	3,456.8	3,475.7	3,498.4	3,538.1	3,562.8

## GDP Growth (% Change Year on Year)<sup>23</sup>

GDP for the Brussels Capital region reflect the impact of the financial crisis in 2008 onwards, with a dip to -1.5% in 2009 and another to -0.3% in 2012. It is noteworthy that the Brussels Capital region follows the Belgian GDP growth numbers closely and that the estimated (slow) growth of GDP virtually matches the Belgian numbers from 2013 through to 2018.

	<b>Brussels</b>	<b>Belgium</b>
<b>2000</b>	3.3%	3.7%
<b>2001</b>	1.9%	0.8%
<b>2002</b>	2.6%	1.4%
<b>2003</b>	0.1%	0.8%
<b>2004</b>	2.6%	3.3%
<b>2005</b>	2.6%	1.8%
<b>2006</b>	2.3%	2.7%
<b>2007</b>	1.7%	2.9%
<b>2008</b>	0.7%	1%
<b>2009</b>	-1.5%	-2.8%

<sup>22</sup> Source: Eurostat Population by NUTS 2 Regions

<sup>23</sup> IWEPS; <http://www.iweps.be/perspectives-du-pib-en-volume>

<b>2010</b>	1.9%	2.4%
<b>2011</b>	1.1%	1.8%
<b>2012</b>	-0.3%	-0.2%
<b>2013 (f)</b>	0.1%	0.2%
<b>2014 (f)</b>	1.2%	1.2%
<b>2015 (f)</b>	1.3%	1.5%
<b>2016 (f)</b>	1.6%	1.7%
<b>2017 (f)</b>	1.7%	1.8%
<b>2018 (f)</b>	1.9%	1.9%

## Brussels Capital Regional Expenditure<sup>24</sup>

Community expenditure for 2012 amounts to a total of approximately €3.4bn and the three highest spending sectors are Construction and Management of Public Transportation Networks €665,015,000 (19.6% of total expenditure), Support and Management of Local Authorities €501,347,000 (14,8% of total expenditure) and Financial and Budgetary Management and Control €347,808,000 (10.3% of total expenditure).

<b>(€000's)</b>	<b>2011 init</b>	<b>2011 AJ</b>	<b>2012 init</b>
<b>Financing of the Regional Parliament</b>	42,100	42,100	42,800
<b>Financing of the Regional Government</b>	19,994	20,264	20,538
<b>Common initiatives of the Regional Government</b>	4,570	7,350	7,623
<b>Management of the human and material resources of the Regional Ministry</b>	125,030	124,191	132,016
<b>Equality of chances policies</b>	1,425	1,433	1,661
<b>Financial and budgetary management and control</b>	284,015	268,709	347,808
<b>ICT-management</b>	4,554	34,776	46,989
<b>General real estate policy</b>	28,990	27,088	29,140
<b>Fire department/Emergency services</b>	82,347	81,747	84,786
<b>Support and management of local authorities</b>	483,570	482,154	501,347
<b>Financing of religions</b>	2,627	2,201	2,987
<b>Support of economy and agriculture</b>	57,142	53,976	54,327
<b>Promotion of external trade</b>	9,169	9,594	11,543
<b>Support of scientific research</b>	42,183	38,290	44,369
<b>Support of energetic efficiency and regulation of energy markets</b>	33,743	31,971	58,174
<b>Support and assistance for offer and demand of employment</b>	273,745	274,503	292,446
<b>Support and promotion of mobility policies</b>	12,487	10,568	15,419
<b>Construction and management of public transportation networks</b>	591,956	613,111	665,015
<b>Construction, management and maintenance of regional road infrastructure</b>	112,010	109,399	119,040
<b>Remunerated transport of persons, excl. Public transportation</b>	2,875	2,363	2,782
<b>Development and exploitation of the canal and the port</b>	18,639	17,905	15,455

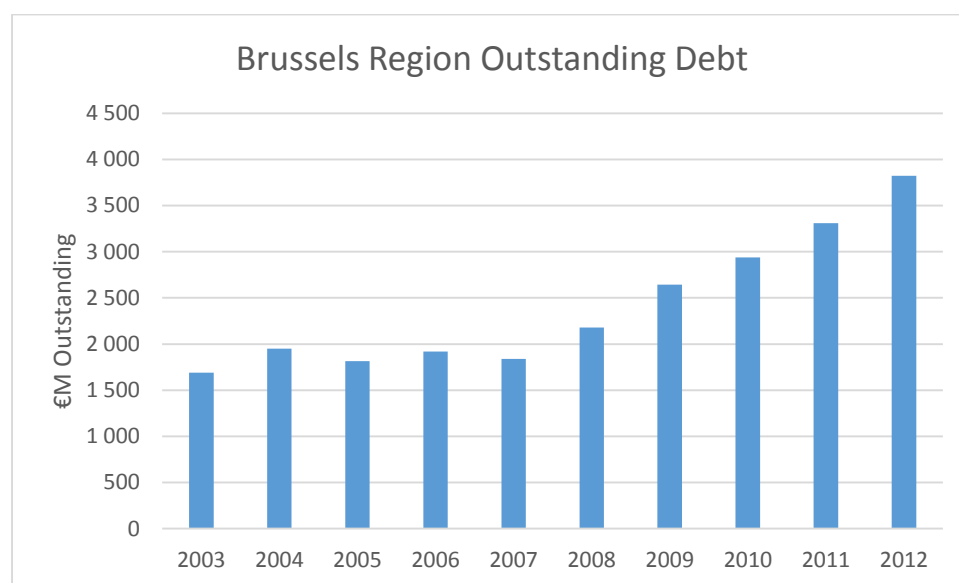
<sup>24</sup> <http://www.brussels.irisnet.be/files-en/about-the-region/finances/budget-regional/AlgemeneToelichting.pdf>

<b>Water production and provision and regulation of the quality of drinking water, the water treatment and the sewage</b>	36,454	36,454	45,438
<b>Environnemental protection</b>	69,640	72,955	75,332
<b>Waste collection and treatment</b>	118,870	125,557	133,452
<b>Housing</b>	156,427	154,619	173,720
<b>Protection and promotion of monuments and sites</b>	17,835	17,446	17,863
<b>Town planning</b>	108,986	98,941	123,597
<b>Statistics and analysis</b>	1,280	430,000	1,913
<b>External relations and promotion of the Region</b>	14,175	14,284	17,500
<b>Financing of the community commissions</b>	297,822	297,822	304,090
<b>TOTAL</b>	<b>3,095,660</b>	<b>3,070,201</b>	<b>3,389,170</b>

## Outstanding Debt

The Brussels Capital region shows a slight dip in indebtedness from 2004 through to 2007 but then steadily climbs through each year to 2012. The Brussels Capital region is also an active issuer of debt and debt has steadily risen to just under €4bn by 2012. At the end of 2012, the Brussels Capital region has guarantees comprising of €2.5bn outstanding of which 34% (€850m) was for their social housing activities.<sup>25</sup>

### Chart: Evolution of outstanding debt<sup>26</sup>



### Overview of outstanding EMTN issuance<sup>27</sup>

MTN issuance also range from 2 years to 20 years with issuance levels increasing sharply in 2009 through to 2011.

Issued	ISIN	Amount (€)	Maturity
2006	BE0931196936	25,000,000	20/10/2021

<sup>25</sup> Source: Dette Régionale Rapport Annuel 2012 Région de Bruxelles-Capitale

<sup>26</sup> Source: NBB

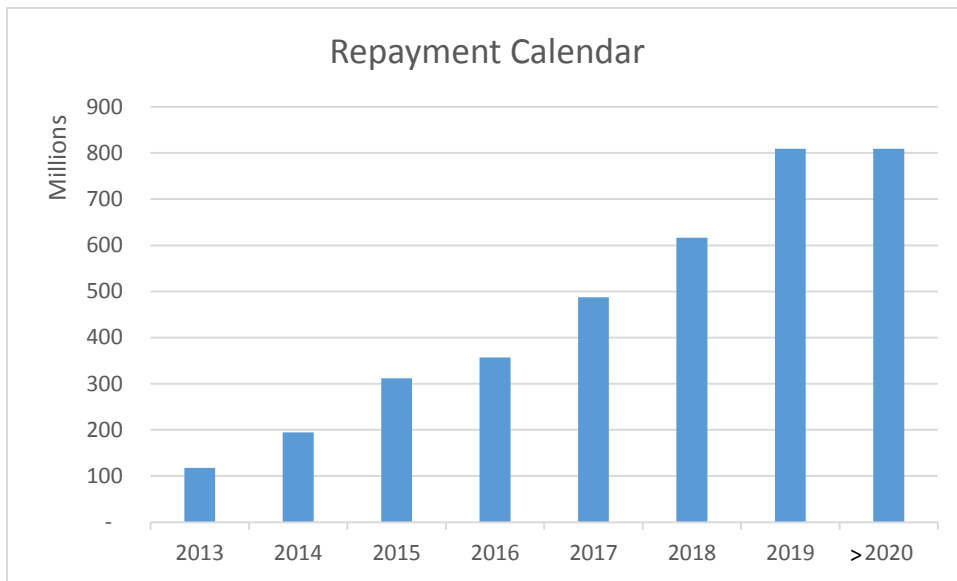
<sup>27</sup> Source: Bloomberg

2009	BE6000089571	72,000,000	31/03/2015
2009	BE6000090587	92,750,000	31/03/2019
2009	BE6000096642	61,500,000	06/04/2014
2009	BE6000123917	36,000,000	30/04/2018
2009	BE6000196673	15,500,000	26/06/2014
2009	BE6000206779	35,000,000	06/07/2015
2009	BE6000216877	5,000,000	13/07/2016
2009	BE6000215861	5,000,000	13/07/2016
2009	BE6000218899	10,000,000	13/07/2016
2009	BE6000509891	1,500,000	17/12/2017
2009	BE6000510907	20,000,000	17/12/2017
2010	BE6000550333	50,000,000	15/01/2018
2010	BE6000549327	38,000,000	15/01/2018
2010	BE6000548311	12,000,000	15/01/2020
2010	BE6000777662	50,000,000	23/06/2020
2011	BE6215617513	75,000,000	18/04/2019
2011	BE6217111903	25,000,000	18/04/2019
2011	BE6217110897	25,000,000	08/03/2021
2011	BE6217264496	25,000,000	18/04/2017
2011	BE6219807706	25,000,000	28/04/2020
2011	BE6221534512	25,000,000	01/06/2016
2011	BE6222015479	15,000,000	08/06/2017
2011	BE6222426700	69,000,000	17/06/2017
2011	BE6222978403	20,000,000	14/10/2021
2012	BE6233230109	15,000,000	27/02/2032
2012	BE6239570458	5,000,000	26/06/2018
2012	N/A	25,000,000	20/12/2024
2012	BE6241449816	50,000,000	06/08/2023
2012	N/A	10,000,000	14/11/2032
2012	BE6246287690	50,000,000	06/12/2032
2013	BE6250054531	10,000,000	28/03/2015
2013	BE6251412530	5,000,000	28/03/2023
2013	BE6251413546	5,000,000	28/03/2033
2013	BE6251438790	30,000,000	08/04/2028

## Debt Repayment

Debt repayment levels over the period 2013 to 2020 climb slowly from just over €100m to approximately €800m in 2019 and past 2020.

**Chart: Repayment Schedule for EMTN issuance<sup>28</sup>**



**The Rating Position of the Brussels Capital Region**

	<b>Fitch</b>	<b>S&amp;P</b>	<b>Moody's</b>
<b>Long Term</b>	Not publicly rated	AA (negative)	Not publicly rated
<b>Short Term</b>	Not publicly rated	Not publicly rated	Not publicly rated

<sup>28</sup> Source Bloomberg



## **BELGIAN PUBLIC SECTOR FINANCING AND SOCIAL HOUSING**

### **Historic Financing Needs of Belgian Public Sector**

Belgium has significant public sector financing requirements. Based on historic levels of activity, the Belgian public sector (from the Federal-level downward) has a requirement to borrow between €12 billion and €15 billion annually.

Within the context of the overall annual financing requirements of the Belgian public sector it is possible to identify the borrowing requirements related to the provision of social infrastructure, again based on historic levels of activity. Thus:

- (a) the social housing sector (which involves the provision of housing or housing support to persons of moderate means) has an annual financing requirement of approximately €2 billion;
- (b) the healthcare sector (which involves the provision of medical services and related infrastructure) has an annual financing requirement of approximately €3 billion to €4 billion; and
- (c) the provision of other social infrastructure has an annual financing requirement of approximately €2 billion to €4 billion.

In aggregate therefore, the historic financing needs of the Belgian public sector related to the provision of social infrastructure is in an amount of between €7 billion and €9 billion annually.

### **Sources of Financing for the Belgian Public Sector**

The public sector borrowing requirement in Belgium has historically been financed from three sources:

- (a) the most important source of financing has been the banking sector or, more specifically, the Belgian banks. Financing from the banking sector has traditionally made up between 65 per cent and 75 per cent of the Belgian public sector's borrowing requirement;
- (b) the next most important source of financing has been the debt capital markets, where institutional investors such as insurance companies and pension funds, again mostly of Belgian origin, have been a stable source of financing for the Belgian public sector, providing between 25 per cent and 35 per cent of the public sector's borrowing requirement; and
- (c) a final, and relatively untapped source of funding for the Belgian public sector, has been the European supra-national funding institutions such as the European Investment Bank and the Council of Europe Development Bank. The contribution of these entities to satisfy the Belgian public sector's borrowing requirements has been minimal at least on a historic basis.

The commercial rationale for the establishment of the Issuer is to facilitate the increase in financing provided by the debt capital markets and the European supra-national funding institutions to the Belgian public sector, and hence enable the Belgian public sector to achieve a position where the dominant role played by Belgian banks is reduced, thus resulting in a more

balanced mix of financing sources. In particular, by facilitating the participation of financing sources from outside Belgium, the Issuer will, it is anticipated, be providing a useful service to the Belgian public sector. At the same time, the Issuer provides investment opportunities to both debt capital market investors across Europe and the European supra national funding institutions, enabling them to gain exposure to Belgian public sector borrowers in a managed and rated format and without having to participate in the public procurement processes that must, as a matter of law, be undertaken by Belgian public sector entities in order to raise such financings. Thus, the Issuer seeks to facilitate both the flow of funds to the Belgian public sector particularly from sources outside Belgium but also to provide an alternative investment vehicle through which the relevant exposure can be obtained. It does so in a fully transparent manner so that potential Noteholders have a clear understanding of the credit exposure they have.

### **The Significance of Regional Guarantees**

The borrowers within the Belgian public sector may be divided between those that have their own credit rating from one or more of the Rating Agencies and those that do not. The Kingdom of Belgium itself and the Belgian Regions each have credit ratings from one or more of the Rating Agencies. However, below these levels in the hierarchy of the Belgian public administration it is unusual for entities to have their own credit rating. The absence of a standalone credit rating acts as an impediment to such entities seeking financing from the debt capital markets directly. However, in order to facilitate the availability of financing to these entities, a number of them are given the benefit of the Regional Guarantees. This enables them to benefit from the credit strength of the Belgian Region granting the Regional Guarantee and hence improves the terms on which they may seek financing. The Belgian Regions provide to Regional Guarantees when the relevant entity is engaged in a socially beneficial activity which falls within the responsibility of the Belgian Regions.

The Regional Guarantees differ from context to context. Certain public sector entities, such as the entities that are involved in the provision of social housing benefit from Regional Guarantees which cover the payment of interest and repayment of principal of all they raise. Other entities, such as those that are involved in the provision of healthcare, benefit from more limited Regional Guarantees which cover the majority, but not all, of their debt service obligations. Because of the extent of the Regional Guarantees provided for the benefit of the Social Housing Companies (as defined below), the Issuer's initial activities will be focussed on the provision of financing to the Social Housing Companies. Subject to obtaining the necessary regulatory clearances, however, the Issuer may extend its financing activities beyond the Social Housing Companies and has been established to be able to do so.

### **The Social Housing Sector in Belgium**

In accordance with the arrangements made with the National Bank of Belgium (NBB) and the Financial Services and Market Authority (FSMA), the Issuer will for the time being solely engage in the financing of Social Housing Companies.

Other types of social infrastructure financing may only be made upon further approval of the NBB and FSMA. The Base Prospectus therefore focusses on the social housing sector in Belgium.

The provision of social housing in Belgium commenced in the late 19th Century and has consistently grown since that time in response to the need for such services. This growth in

the sector led ultimately to the enactment of specific regulation (the Act of 9 August 1989 on the establishment of committees of patronship of social housing). Social Housing Companies are corporate entities that undertake the activities of providing housing or housing finance to persons with modest means with the financial support of the Belgian Region in which they operate. In this context, the provision of housing involves its development, financing and management. The Social Housing Companies do not have their own credit ratings.

The recurrent financing needs of the Social Housing Companies amount to approximately €2 billion, resulting in an average of approximately 10 public tenders yearly (an average of 1 or 2 per Social Housing Company). It is anticipated that the funding requirements of Social Housing Companies will increase materially in the future.

		2014	2015-2016
<u>Flanders</u>	VMSW	675	1350
	VWF	600	1200
<u>Wallonia</u>	SWL	200	400
	SWCS	200	400
	FLFN	110	220
<u>BXL</u>	FLRB	50	100
Total		1835	3670

Source: ING Estimates

### The Flemish Region

In the Flemish Region, there are two Social Housing Companies. These are:

- (a) *Vlaamse Maatschappij voor Sociaal Wonen* (which is commonly known by its abbreviations as VMSW). VMSW is a public limited liability company incorporated on 1 July 2006 in accordance with the provisions of the *Vlaamse Wooncode* (being the Decree of the Flemish Region of 15 July 1997 enacting the Flemish Housing Code, as amended from time to time or the "**Flemish Housing Code**"). In addition to providing social housing itself in the manner described above, VMSW encourages, supports, supervises and finances other Social Housing Companies that operate in the Flemish Region which have emerged from local initiatives and operate as commercial concerns (these entities are known as *sociale huisvestigingsmaatschappijen* or SHMs).

Further details about VMSW can be found on its website, which is located at <http://www.wmsw.be>.

- (b) *Vlaams Woningfonds* (which is commonly known by its abbreviation as VWF). VWF is a cooperative company incorporated in accordance with the provisions of the Flemish Housing Code. VWF's corporate objective is to provide families and single persons with modest incomes the resources which will enable them to acquire or maintain a residential property (by providing loans in order to purchase, renovate or build the same); to rent a residential property (essentially by paying, in whole or in part, the rent of such persons) and to improve the condition of the relevant residential properties.

Further details about VWF can be found on its website, which is located at <http://www.vlaamswoningfonds.be>.

In addition to VMSW and VWF, the other participant in the social housing sector in the Flemish Region is known as *erkende kredietmaatschappijen* (or EKM's). There are approximately 40 EKM's which are not for profit credit institutions providing low cost loans to persons who are eligible in connection with the provision of housing.

### **The Walloon Region**

In the Walloon Region, there are three Social Housing Companies. These are:

- (a) *Société Wallonne du Crédit Social* (which is commonly known by the abbreviations as SWCS). SWCS is a public limited liability company incorporated on 22 December 200 in accordance with the *Code Wallon du Logement* or the "**Walloon Housing Code**". SWCS provides loans to persons for residential housing purposes.

Further information about SWCS can be found at its website, which is located at <http://www.swcs.be>.

- (b) *Fonds du Logement des Familles Nombreuses de Wallonie* (otherwise known as FLW). FLW is a cooperative company with limited liability which was incorporated on 17 October 1980 in accordance with the Walloon Housing Code.

Further information about FLW can be found at its website, which is located at <http://www.flws.be>.

- (c) *Société Wallonne du Logement* (otherwise known as SWL). SWL is a civil public limited company incorporated on 25 October 1984 in accordance with the Walloon Housing Code.

Further information about SWL can be found at its website, which is located at <http://www.swl.be>.

### **The Brussels Capital Region**

The Brussels Capital Region has only one Social Housing Company. This is the *Fonds du Logement de la Région de Bruxelles-Capitale /Woningfonds van het Brussels Hoofdstedelijk Gewest*, a cooperative company established in 1989 pursuant to the *Code Bruxellois du Logement* or the "**Brussels Housing Code**". Further information about this entity can be found at its website which is located at <http://www.woningfonds.be>

## **An Overview of the System of Public Procurement**

Loans made to entities which operate within the Belgian public sector are not made by way of negotiation, as would be the case between private entities. Rather, by reason of the Act of 15 June 2006 on public procurement and certain missions in respect of work, supplies and services and various decrees made under it (the "**Public Procurement Act**") offers are sought from qualified entities to provide Loans. While there are a number of variations possible under the Public Procurement Act, the basic format for the generality of public procurement exercises is that the entity seeking the Loan will, by way of a public announcement, invite potential lenders to notify the terms on which they are prepared to make Loans. This process ensures that all qualified participants may, if they wish to, participate in the process in a transparent and fair manner. The entity seeking the Loan will then select, from the offers it has received, the "winning offer or offers" based on the criteria. It is possible for the entity seeking the Loan to impose criteria applicable to the tender, which will also have been published. However, generally the most important, if not the sole criterion, for determining the winner is the price.

Unlike a negotiated loan between two private parties where it is possible to negotiate the terms of a loan agreement and seek specific structural protections for specific risks, the public procurement process typically involves the entity seeking a loan to prescribe the terms of the loan agreement. Similarly, the terms of the Regional Guarantee will be prescribed rather than negotiated.

Once the decision on the winning offer is announced, such decision may be subject to appeal for suspension or annulment filed with the administrative section of the Council of State (*Raad van State/Conseil d'État*):

- (a) the Council of State may annul a decision if and when (i) the decision is based on discriminatory technical, economical or financial specifications; (ii) it concerns the abuse of power; (iii) the decision breaches public procurement regulations, the constitutional, statutory or regulatory provisions or general principles of law applicable to the contract; and/or (iv) the decision breaches the contract documents. The appeal for annulment must be filed within a period of sixty days; and
- (b) alternatively, the contracting authority may be confronted with an appeal for suspension with extreme urgency within this standstill period for those award procedures for which this is applicable. Alternatively, as part of the ordinary appeal procedure, the Council of State may also suspend the execution of the decision and possibly impose a penalty payment.

Thus, from the perspective of the Issuer, the system of public procurement has both advantages and disadvantages. The advantages are that the ability to offer to make Loans is entirely open and allows the Issuer to participate (assuming it is qualified to do so) and for its offer to be selected if it is the winning bidder. This is in distinction to a system where participants would be selected on a discretionary or relationship basis. Further, all the bids are publicly published so the Issuer can appreciate the levels at which other lenders are willing to make financing available to the relevant borrowers. The disadvantages are that the terms of the loan agreement and Regional Guarantee are prescribed and not generally open to negotiation and other bidders are able to gain an appreciation of the level of pricing that the Issuer is able to offer.

## THE NATURE OF THE LOANS AND THE GUARANTEES

### The Nature of Social Infrastructure

As indicated above, the Issuer will only make Loans for the purposes of financing social infrastructure in Belgium, where the obligations of the Borrowers of such Loans benefit from a Regional Guarantee.

The categories of social infrastructure are not closed and includes any form of physical asset which has some social utility or benefit. This includes social housing; educational establishments (such as schools, colleges of further education or universities); health care facilities (such as hospitals and related facilities); care facilities for the elderly; community and sport facilities and penal and correctional facilities (such as prisons, detention centres or court buildings). While the users of such facilities may be charged a certain amount for their use, the provision of social infrastructure by public entities is not generally driven by profit. This is the justification, from a public policy perspective, of the provision of some form of public support in relation to their provisions, such as the Regional Guarantees.

### The Nature of the Borrowers

The provision of social infrastructure in Belgium is undertaken in a variety of ways and varies from Belgian Region to Belgian Region. As an example, the provision of social housing in Belgium (which includes the provision of residential accommodation to persons with a modest income) is organised through Regional social housing providers. In the Flemish Region, these are *Vlaamse Maatschappij Voor Sociaal Wonen* (also known as VMSW) and *Vlaams Woningfonds* (also known as VWF); in the Walloon Region, these are *Société Wallonne du Crédit Social* (also known as SWCS), *Fonds du Logement des Familles Nombreuses de Wallonie* (also known as FLW) and *Société Wallonne du Logement* (also known as SWL); in the Brussels Capital Region, the sole provider of social housing is *Fonds du Logement de la Région de Bruxelles-Capitale*. Each of these entities are companies with the mandate to own portfolios of residential real estate assets, and for this purpose they are each allowed to borrow funds. Each of these entities could be Borrowers, as their payment obligations will be supported by Regional Guarantees. By contrast, the provision of other types of social infrastructure is not undertaken through similar mechanisms. For example, the entity responsible for operating a hospital may be limited in undertaking activities in respect of that hospital only. However, such entities could also be Borrowers provided that their obligations are supported by a Regional Guarantee.

In all cases, however, the Borrower will, in relation to its obligations in respect of the relevant Loan have the benefit of a Regional Guarantee. As indicated above, the Issuer can only make Loans if and to the extent that the obligations of the Borrower will be supported by a Regional Guarantee and the availability of a Regional Guarantee is a precondition to the Loan being made.

### The Nature of the Guarantees

The form of such Regional Guarantees may vary from Borrower to Borrower and across the Belgian Regions but there will be certain common features:

- (a) the Regional Guarantees will benefit from the credit-strength of the relevant Belgian Region;
- (b) the Regional Guarantees will cover payments of interest on and repayments of principal of the Related Loans; and
- (c) the Regional Guarantees may be called by the Issuer (as the creditor) directly against the Guarantors.

The motivation of the Belgian Regions in providing the Regional Guarantee is to facilitate the flow in investment in relation to social infrastructure. Similar guarantees are typically not available to benefit "for-profit" projects.

As indicated above, before making any Loan, the Issuer will examine the validity of any Regional Guarantee, so that it is satisfied that, if called upon, the relevant amounts due will be paid.

While the Regional Guarantees may, as a matter of legal analysis, be legal, valid, binding and enforceable against the relevant Guarantor, there is no history of them actually being called.

### **Flemish Region**

Regional Guarantees issued by the Flemish Region are subject to the Decree of 7 May 2004 on Treasury Debt and Guarantee Management of the Flemish Community and Flemish Region (*Kas, Schuld- en Waarborgdecreet van 7 mei 2004 van de Vlaamse Gemeenschap en het Vlaams Gewest*) (the "**KSW Decree**").

The Flemish Region only permits the issuance of a Regional Guarantee if it has been included in its annual budget. The budgeting process of the Flemish Region for any year involves the endorsement by the Flemish Parliament of the proposed budget in December of the preceding year. The budget for any one year may be modified in June of that year in relation to the second half of that year, so that it is possible to respond to changed circumstances.

Any public tender in relation to a Loan which is to benefit from a Regional Guarantee must, on its face, indicate this fact and include the terms of the Regional Guarantee. The grant of the Regional Guarantee will be approved by the Flemish Ministry of Finance before it is issued. Thus, Regional Guarantees issued by the Flemish Region are subject to both legislative and administrative oversight before they are issued.

Pursuant to the KSW Decree, the enforcement of any Regional Guarantee granted by the Flemish Region can only take place after the enforcement of any other security interest granted in respect of the relevant Loan. The Issuer will not make any Loans where any such additional security interest will be granted.

### **Walloon Region**

Unlike the Flemish Region where, as described above, the KSW Decree is the statutory basis for the grant of the relevant Regional Guarantees, the Walloon Region does not have any such specific legislation supporting the grant of Regional Guarantees.

However, the grant of a Regional Guarantee by the Walloon Region must also be provided for in its budget.

The provision of social infrastructure in the Walloon Region is regulated by statutory frameworks applicable to the relevant policy area. There will, therefore, be a statutory framework for, social housing, healthcare, education and so on. These individual statutory frameworks permit the Walloon Region to issue a decree allowing specific Borrowers to seek to borrow funds for the relevant field of activity, supported by a Regional Guarantee. These decrees (known as "**ad-hoc decrees**") specify the purpose and amount of the Loans that may be sought.

The Loans are then sought by the Borrowers by way of public tenders and, when a Loan has been awarded, the grant of the relevant Regional Guarantee is reconfirmed, either by way of a notice decree from the government of the relevant Belgian Region or by a deed executed by a minister of that government.

### **Brussels Capital Region**

The guarantee scheme of the Brussels Capital Region is the same as that applicable to the Walloon Region. However, as indicated above, no Notes will be issued under the Programme the Related Loans of which are guaranteed by the Brussels Capital Region until such time as the Brussels Capital Region issues its own listed debt instruments, in a manner similar to the Flemish Region and the Walloon Region.



## THE ISSUER

### Incorporation

The Issuer, Publinvest NV, was incorporated in Belgium on 28 November 2013 for an unlimited period of time.

The Issuer is a public company within the meaning of Article 438 of the Belgian Company Code. Its registered office is located at 97, rue Royale, 1000 Brussels and registered with the legal entities registered under number 0542.585.237. The phone number of the Issuer is +32 2 209 22 00.

Pursuant to its articles of incorporation, the Issuer has the following corporate purpose:

- (a) the collection of funds on the European debt capital markets by means of the issue of bonds; and
- (b) the extension of loans, in Belgium, in the context of investment and infrastructure projects in the social and social welfare sectors, including (without limitation) social housing entities, education institutions and hospitals and which are to be guaranteed by respectively the federal authority or each of the regional authorities ("**Social Infrastructure**").

The Issuer will respond to a particular public tender relating to Social Infrastructure only if and to the extent it has been able to attract the necessary funds by obtaining binding commitments in relation to the Related Notes.

In addition, the Issuer will extend credit for the purposes of Social Infrastructure by applying the proceeds of the issuance of the Related Notes.

In the context hereof, the full credit risk of any Loan will be entirely borne by the relevant Noteholders. If the Loan does not pay interest or repay principal as it is supposed to, the relevant Noteholders (and only those Noteholders) will be exposed to this event.

The Issuer has the corporate power and capacity to issue the Notes, to provide the Loans and to enter into and perform its obligations in respect of the Programme.

### Share Capital and Shareholders

The Issuer has a total issued share capital of €61,500 represented by 6,150 registered shares, divided into the "**Series A Shares**" and the "**Series B Shares**". The Series A Shares represent 90 per cent (by value) of the share capital of the Issuer and the Series B Shares represent 10 per cent (by value) of the share capital of the Issuer. However, the Series B Shares have no voting rights, though they do have the right to receive dividends.

The Series B Shares' right to receive dividends is not a preferred right to receive a fixed amount of dividends, but rather a preferential right to receive an amount of dividends distributed based on profits made in respect of the Programme. Distributions to the Series B Shares will be at the discretion of the Issuer, based on the amount of Notes outstanding at any time and from time to time.

The Series A Shares are owned, in their entirety, by Stichting Publinvest, a private foundation (*foundation privée / private stichting*) incorporated under the laws of Belgium having its registered office on 97 rue Royale, 1000 Brussels, and registered with the legal entities register under number 0542.411.128 (the “**Issuer Shareholder**”). The Series B Shares are owned, in their entirety, by ING Belgium.

The Issuer Shareholder is managed by a board of directors, the member of which are entities within or employees of Intertrust Group. The directors are appointed pursuant to the deed of incorporation of the Issuer Shareholder and to a Management Agreement to be entered into on or about the Programme Establishment Date which sets out the undertakings and liabilities of the directors. The Issuer Shareholder in its capacity as holder of Category A shares has been founded by Intertrust Group and the funding to capitalise the participation of the Issuer Shareholder in the capital of the Issuer has been provided by the Issuer Manager by way of a charitable donation. Nevertheless, the Issuer Shareholder will play a passive role within the structure of the Programme and all rights to control the Issuer will be divided between the Issuer Manager and the Board of Directors. The directors as representatives of the Issuer Shareholder will attend the shareholder meetings of the Issuer and will act solely in the interest of Issuer Shareholder and without being directed by Intertrust Group or the Issuer Manager.

The shares are not divisible. The rights and obligations remain with the shares, regardless of the person or entity to which the share is transferred, though the Issuer Shareholder will undertake not to transfer any of the Series A Shares.

Both the Series A Shares and Series B Shares will have a right to receive dividends, which will be funded from the Cash Reserve.

### **Transfer of Shares – Selling Restrictions**

The transfer of shares in the Issuer are subject to certain restrictions, including:

- (a) the Series B Shares cannot be held by the holders of Series A Shares;
- (b) at least 90 per cent (by value) of the Series A Shares should be held by an entity unrelated to the holder of the Series B Shares and organised as a foundation or a similar entity; and
- (c) the Series B Shares are freely transferable but should only be transferred to:
  - (i) a credit institution within the meaning of the Belgian Banking Act (Act of 22 March 1993); or
  - (ii) a financial institution within the meaning of the Belgian Financial Collateral Act (Act of 15 December 2004).

### **Auditor**

On the date of this Base Prospectus, Ernst & Young Bedrijfsrevisoren c.v.b.a. De Kleetlaan 2, 1831 Diegem has been appointed as the auditor of the Issuer.

The Issuer's accounting year will run from 1 January to 31 December of each year, save for the first year of the Issuer's operations.

The Issuer will not have an audit committee.

## **Administrative, Management and Supervisory Bodies**

### **Board of Directors**

As at the date of this Base Prospectus, the Issuer's Board of Directors has the following members:

- (a) ING Belgium represented by Amador Malnero as permanent representative. Mr. Amador Malnero holds the position of managing director, Global Head TRPP, Head Working Capital Solutions Belux at ING Belgium. Mr. Malnero has ample experience in structured finance and capital markets, across a vast number of jurisdictions.

Prior to heading the Working Capital Solutions, he was global head of the ING Securitisations Group for several years. Prior thereto, he was the Head of Transaction Execution at ING Corporate Finance in Belgium. Mr. Malnero holds a Bachelors and a Masters degree in Economics from University of Louvain (Belgium).

- (b) Dominique Eeman. Mr Eeman is an experienced Chief Financial Officer, Executive Committee member and Board member of large Belgian multinational enterprises (both listed on a stock exchange and family owned) with his professional routes in corporate and investment banking between 2002 and 2013, Mr Eeman was the CFO of Vandemoortele Group, a European-based corporate group, where he was responsible for the creation of the “Office of the CFO”, for mergers and acquisitions and for the co-ordination and negotiation of syndicated bank loans and the private and public issuance of corporate bonds and warrants. Prior to this appointment, Mr Eeman was the CFO of Recticel. In this capacity he co-ordinated a management buy-out of the company, as well as organising the provision of several syndicated loan facilities. Earlier in his career, Mr Eeman was part of the Corporate Finance and Investment Banking team at General Bank. Finally, Mr Eeman is also an independent board member of Leonidas NV/SA.
- (c) Phidias Management NV/SA represented by Christophe Tans as permanent representative. Mr. Tans joined Intertrust in 2006 after spending more than three years as a tax lawyer and six years as a tax adviser in a “big 4” auditing firm. He has developed extensive expertise in setting up international structures for private equity firms, corporate clients, and high net worth and ultra-high net worth individuals. Within the Belgian office of Intertrust. Mr Tans holds a master degree in law from the University of Leuven and two master degrees in Tax law (one from the University of Liège and the other from Groep T. Leuven). Since 2006, Mr Tans has been a member of the management board of Intertrust (Belgium) and since August 2010 he took up the position of managing director of the Intertrust Brussels office. The mandate of Phidias Management NV/SA to act as a director of the Issuer is of a temporary nature and it is calculated that Phidias Management NV/SA will be replaced within a limited time period.

As the Programme develops over time, additional members may be appointed to the Board of Directors, though the number of members may not exceed five. Throughout the duration of the Programme, one of the members of the Board of Directors shall be chosen from a list proposed by the owners of the Series B Shares. However, in the event of a tied vote of the

Board of Directors, the vote of the director so chosen shall not count. The powers of each member of the Board of Directors, is equal and no special rights are given to the director chosen by the owners of the Series B Shares.

As indicated by their backgrounds, the individual directors have been selected because of their experience of Belgian public affairs and public finance. As indicated above, the Board of Directors acting on behalf of the Issuer will exercise a supervisory function in respect of the Issuer Manager and no material action may be taken by the Issuer Manager that has not received the prior approval of the Board of Directors. The operational procedures of the Issuer contemplate a framework for the interaction between the Issue Manager and the Board of Directors.

The current term of office of the Issuer Directors expires after the annual shareholders' meeting to be held in 2019, though it may be renewed.

None of the directors of the Issuer (nor any of their permanent representatives):

- (a) has any family relationships with another director;
- (b) has any convictions for fraud during the last five years;
- (c) has been involved in any insolvency, receivership or liquidation in their capacity as director or member of the management or supervisory body of the relevant entity;
- (d) has been subject to any official public incrimination or sanction from an official body;
- (e) has been disqualified by a court within the last five years from acting as a member of a board, management or supervisory body of an issuer or to be engaged in management functions or to trade for an issuer;
- (f) has any conflict of interests regarding their duties to the Issuer and their personal interests or other duties;
- (g) has any connections to the Issuer Manager; or
- (h) has any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which they were selected as a director of the Issuer or has a service contract which provides for benefits upon termination of employment.

The Board of Directors is the only body that undertakes administrative, management or supervising functions on behalf of the Issuer other than the Issuer Manager, which acts as an appointee of the Issuer. As described in further detail below, the Board of Directors will play a role in ensuring that the actions of the Issuer Manager are not impacted by conflicts of interest.

### **Financial Information**

The Issuer has not, since its date of incorporation, commenced its operations, and no financial statements have been made up as at the date of this Prospectus.

## **Legal and Arbitration Proceedings**

There are no governmental, legal and arbitration proceedings funding or threatened of which the Issuer is aware and which may have significant effects on the Issuer's financial position or profitability.

## **Funding of Equity Capital**

As described above, ninety percent of the Issuer's equity capital has been provided by the Issuer Manager. Notwithstanding this, the Issuer Manager has no ownership or control interest in the Issuer and no ability to influence the Issuer or the Board of Directors other than as provided to in the Issuer Management Agreement. The remainder of the Issuer's equity capital has been provided by ING Belgium.

## **Dividends**

The Issuer may pay dividends funded from the Cash Reserve subject to the balance of the Cash Reserve being a minimum of €100,000 and subject to the repayment of the subordinated loan made by ING Belgium in respect of the establishment costs of the Programme, as described below. The decision to pay such dividends will be taken by the Board of Directors in accordance with the applicable rules of the Belgian Company Code. Dividends will be paid in respect of both the Series A Shares and the Series B Shares as part of the same distribution.

## MANAGEMENT OF THE ISSUER

### Overview

As described above, the Issuer's core activity is making and managing the Loans, which it funds by issuing the Notes. The Issuer thus operates as a specialised form of financing entity: it makes debt finance available to a single type of debtor (as described above, entities that are involved in the provision of social infrastructure in Belgium and whose debt service obligations are backed, explicitly or implicitly, by the Belgian Regions, or the Belgian Regions themselves) and funds its lending activities in a single way (as described above, the issuance of debt, in the form of the Notes, to investors in the international capital markets). The Issuer will not have any other source of financing available to it. The Notes and the Loans as indicated above are matched and each Tranche of Notes will only be used to fund one Related Loan.

In addition, once a Loan is made and the Related Notes are issued, the Issuer is required to ensure that both the Loan and the Related Notes are properly administered and, most importantly, that Borrowers and Guarantors make payments that are due from them in respect of the Loans and that Noteholders receive payments that are due to them in respect of the Notes. The Issuer will not undertake any activities that are unrelated to those described above. Further, the Issuer has been structured so as to be transparent, providing Noteholders with clear visibility on the Loans, and therefore on the Borrowers, Guarantors and the Belgian Regions, that they have a credit exposure, to when they invest in any Tranche of Notes.

The performance of these functions will be undertaken by the Issuer Manager (pursuant to the Issuer Management Agreement) and the Board of Directors, who will instruct and direct the Issuer Manager as appropriate. Further details about the Issuer Manager and the Board of Directors are set out below, as is the broad approach that will be adopted in relation to the Loan Origination Services, the Loan Administration Services and the Note Issuance Services.

The Issuer Manager appointed at the Programme Establishment Date is an asset management and advisory firm and a specialist in private debt. It was founded in 2006, and provides investment solutions and advisory services for a variety of institutions. The firm maintains strong relationships with major industry participants including investors, issuers, asset owners, asset managers, regulators, rating agencies and professional advisors. Team members of the Issuer Manager have extensive experience in establishing and managing lending platforms including social housing, infrastructure finance, public sector finance, corporate SME, commercial mortgage, residential mortgage and trade finance platforms throughout Europe. The Issuer Manager's social housing experience covers structuring and managing social housing platforms as well as analysing, underwriting and advising on social housing loans. The Issuer Manager is authorised and regulated by the Financial Conduct Authority in the UK (FRN: 563833) for asset management and advisory work in the UK and for business throughout the European Union and its registered office is 55 Baker Street, London W1U 8EW. The Issuer Manager so appointed may be replaced in accordance with the terms of the Issuer Management Agreement.

The description that appears below represents an overview of the activities the Issuer Manager is required to undertake in order to perform the Loan Origination Services, the Loan Administration Services and the Note Issuance Services. This applies both to the Issuer Manager as appointed on the Programme Establishment Date but also any successor Issuer Manager. The description is not intended to be exhaustive and may be subject to modification

as circumstances necessitate, though such modification must be undertaken in accordance with the terms of the Issuer Management Agreement.

### **The Loan Origination Services**

In order to be able to make Loans from time to time, the Issuer Manager must:

- (a) keep under review the opportunity to make Loans, so that it is able to respond as and when such opportunities arise (the "**Opportunity Review**");
- (b) ensure that the Issuer is able, both from a commercial perspective and, based on legal advice from advisors to the Issuer, from a legal perspective, to participate in offering to make Loans when the opportunity to do so arises (the "**Participation Analysis**");
- (c) ensure, based on legal advice from advisors to the Issuer, that any Borrower and any Guarantor is authorised, from a legal perspective, to enter into the commitments that they are proposing to enter into (the "**Authorisation Analysis**");
- (d) ensure that it is able to assess the terms, both economic and otherwise, on which it can offer to make a particular Loan (the "**Terms Analysis**");
- (e) ensure that the Issuer is able to fund any Loan that it offers to make by issuing the Related Notes (the "**Note Issuance Analysis**");
- (f) go through any internal processes required in relation to originating a Loan, including obtaining the necessary support from the Board of Directors (the "**Internal Approval Process**");
- (g) execute the process of making the Loan (including entering into any contractual documentation that may be necessary for such purpose) (the "**Loan Execution Process**");
- (h) arranging for the proceeds of the relevant issuance of Notes to be applied to actually make the Loan (the "**Funding Process**"); and
- (i) undertake any tasks incidental to any of the above.

It is envisaged that the Issuer will have the opportunity to make Loans on a regular basis and so the Issuer Manager will be involved in undertaking the activities described above in the context of the Loan Origination Services continually.

In relation to the Opportunity Review, the Issuer Manager will have access to both publicly available information as to when Borrowers are seeking Loans and to information obtained through maintaining an on-going discussion with Borrowers, as well as information provided by third parties (such as ING Belgium and other market participants) with whom it maintains an on-going dialogue. The Participation Analysis and Authorisation Analysis are essentially technical in nature, though, as indicated above, there will be considerable focus placed on the Authorisation Analysis. The Participation Analysis, the Authorisation Analysis and the Terms Analysis will all be undertaken by the Issuer Manager before it can make a determination of whether the Issuer can make an offer to make the Loan. However, even if, on the basis of the Opportunity Review, Participation Analysis, Authorisation Analysis and Terms Analysis the Issuer Manager determines that a Loan may be made on terms that will be acceptable to the

Issuer, it will not be able to take any further steps until it has undertaken the Note Issuance Analysis with the Dealers (of which the Issuer Manager may be one). The Note Issuance Analysis is thus a critical part of the process that the Issuer Manager must go through in undertaking the Loan Origination Services and unless the Issuer has legally binding commitments from potential investors to subscribe for the relevant Notes, the Issuer Manager will not be able to put a Loan Proposal (as defined below) to the Board of Directors.

Once each of these analyses has, from the perspective of the Issuer Manager, been completed, the Issuer Manager is required to present a "**Loan Proposal**" to the Board of Directors. The Loan Proposal will set out, in a form that is capable of being reviewed efficiently, the various reviews and analyses undertaken by the Issuer Manager including the Note Issuance Analysis in respect of the Related Notes. The Board of Directors is required, at this point, to consider the Loan Proposal in detail and to form its own opinion of the analyses undertaken by the Issuer Manager. In doing so, the Board of Directors, if it so chooses, may seek other information and advice in respect of the Loan Proposal. If and only if the Board of Directors sanctions the Issuer making the Loan based on the information presented to it or other information available to it, can the execution process be taken further, and the Issuer Manager can offer to make the Loan. Thus, the offer to make any Loan requires the support of both the Issuer Manager and the Board of Directors – this represents the most important element of the Internal Approval Process.

In the event that the Issuer offers to make a Loan and its offer is accepted by the Borrower, the Issuer Manager will enter into the Execution Process. As a general statement, the documentation in respect of a Loan is not expected to be highly structured or extensively negotiated, but rather based on a pre-agreed form available during the tendering process. While this makes the Loan Execution Process more efficient, it also means that the Issuer will not necessarily be able to obtain all of the contractual protections that it might otherwise have obtained in the context of a commercial loan, where the opportunity for negotiation exists.

### **The Loan Administration Services**

In administering the Loans the Issuer Manager is required to undertake certain functions at all times during the life of each Loan. Specifically, these are:

- (a) monitoring and administering the collection of cash-flow generated by the Loans. As a general matter, this will involve the Borrowers making payments of interest and repayments of principal in respect of the Loans into an account in the name of the Issuer maintained at the Account Bank and Cash Manager a process that the Issuer Manager will oversee so that it is aware of any non-payment in respect of the Loan;
- (b) maintaining records of and reporting on the receipt of such cash-flow for the benefit of the Issuer, the Board of Directors and ultimately the Noteholders; and
- (c) maintaining documentation in respect of each Loan in a manner which can enable it to be accessed and used as necessary.

These functions are essentially administrative in nature and will, in essence, involve the Issuer Manager following certain procedures, which will be documented and which will be used by the Issuer Manager in relation to its operations.



In addition to these essentially administrative functions, the Issuer Manager will, as part of the Loan Administration Services, be required to undertake certain more discretionary activities, when circumstances so necessitate.

It is possible that a Borrower or Guarantor may, from time to time, seek an amendment or waiver in respect of a Loan (a "**Modification Request**"). Modification Requests may arise in any situation, but in particular where a Borrower or Guarantor is unable to perform the obligations it has undertaken. Where a Modification Request is received, the Issuer Manager must, acting in a manner consistent with the Issuer Management Agreement, decide whether to accede to the Modification Request. If the Modification Request does not have an impact upon the obligation or ability of the Borrower or Guarantor to pay amounts otherwise payable by them or the amount or timing of such payments, the Issuer Manager shall have the right to make such determination itself (though the Issuer Manager may, if it so chooses, seek the input of the Board of Directors on any matter, though if it does so it will be bound by the decision taken by the Board of Directors). However in the event that the Modification Request does have such impact, the Issuer Manager must, after it has formed a view itself as to how the Modification Request should be dealt with, seek the confirmation of its decision from its Board of Directors. If the Board of Directors takes a different view from the Issuer Manager as to whether the Modification Request should be acceded to, the view of the Board of Directors shall prevail. Thus, there needs to be consensus between the Issuer Manager and the Board of Directors before a Modification Request can be proceeded with. Noteholders will not generally play a role in relation to Modification Requests, though the Issuer may call a meeting of Noteholders should the Issuer Manager or the Board of Directors so determine. The Issuer Manager will, however, report on any Modification Request made and the outcome of its decision making process and the decision making process of the Board of Directors.

In addition, in the event that a Borrower breaches the terms on which a Loan was made to it, the Issuer Manager shall be required to propose the course of action the Issuer should consider in order to remedy the situation (the "**Enforcement Scenario**"). The most material Enforcement Scenario arises on the non-payment of an amount due from a Borrower. In the case of a Loan where the obligations of the Borrower are guaranteed by a Guarantor, such action may take the form of making a claim in respect of the Guarantee and following all the prescribed procedural steps connected with making a claim, which the Issuer Manager will be aware of. In the case of a Loan where the obligations of the Borrower are not guaranteed, but rather are implicitly supported, the Issuer Manager must decide what courses of action are available to the Issuer. These may include restructuring the terms of the relevant Loan or taking court action in respect of the Borrower.

In relation to the Enforcement Scenario, before taking any action, the Issuer Manager shall present to the Board of Directors the course of action it proposes to adopt and shall only proceed to take further action if its strategy is endorsed by the Board of Directors. Once it has done so, and once the Board of Directors has endorsed the strategy, the execution of the strategy will be undertaken by the Issuer Manager. Again, there needs to be consensus between the Issuer Manager and the Board of Directors before action can be taken. Noteholders will not, generally, play a role in relation to an Enforcement Scenario, though the Issuer may call a meeting of Noteholders should the Issuer Manager or the Board of Directors so determine. The Issuer Manager will, however, report on any Enforcement Scenario and the strategy adopted in relation to its management.

The interaction between the Issuer Manager and the Board of Directors is intended to ensure that actions that are proposed by the Issuer Manager are subject to a degree of scrutiny before

they are executed. This is intended to enhance the corporate governance of the Issuer and promote robustness in the decision making process. It may, however, be more time consuming than if the Issuer Manager was to act independently.

### **Note Issuance Services**

In relation to issuing the Notes, the functions of the Issuer Manager may be divided into two categories:

- (a) undertaking the Note Issuance Analysis; and
- (b) once an offer to make a Loan has been accepted, arranging with the Dealers, the Trustee and the Principal Paying Agent, to undertake the mechanical process of ensuring that the Notes are issued and that the subscription proceeds are received in a manner which enables the Related Loan to be originated, as well as liaising with the Rating Agencies for the purpose of obtaining a rating in respect of such Notes.

As indicated above, the Issuer will only be able to make a Loan if it is able to issue the Related Notes. The process of determining whether the Related Notes can be issued is one that requires engagement with potential Noteholders who may be willing and able to subscribe for the Notes. In undertaking the Note Issuance Analysis, the Issuer Manager will engage with the Dealers appointed in relation to that issuance of Notes, so that the process of communicating with potential Noteholders is as co-ordinated and effective as possible. The Note Issuance Analysis will be presented to the Board of Directors as part of the Loan Proposal, and the Issuer Manager will not, as described above, be able to propose to the Board of Directors until it has a legally binding commitment from potential investors that they will subscribe to the Related Notes. The actual process of issuing the Notes, once the Loan Proposal is endorsed by the Board of Directors, is essentially an administrative one but must be undertaken in an organised manner so that the Issuer can use the proceeds of the Note issuance to fund the Related Loan. The Issuer Manager will also co-ordinate the rating process in relation to each Tranche and take any actions incidental to ensuring that the Notes of the relevant Tranche are issued.

### **Extent of Authority and Provision of Services and Additional Services**

The Issuer has appointed the Issuer Manager under the Issuer Management Agreement for the provision of the Loan Origination Services, the Loan Administration Services and the Note Issuance Services, as described above. The Issuer will be bound by actions of the Issuer Manager carrying out these services and any other services (the "**Additional Services**") that the Issuer and Issuer Manager may agree from time to time pursuant to an agreement (the "**Additional Services Agreement**") to be entered into at such time between them. The Issuer will not be bound by acts of the Issuer Manager not connected with the proper performance of such services or not otherwise permitted by the Transaction Documents.

The Issuer Management Agreement sets out the parameters that the Issuer Manager must adhere to in providing the Loan Origination Services, the Loan Administration Services and the Note Issuance Services. Thus, the Issuer Manager must, at all times, act in accordance with:

- (a) the terms of the Transaction Documents;

- (b) all laws and regulations applicable to the actions it is taking or proposing to take and their implications for the Issuer and the Issuer Manager; and
- (c) the degree of skill, care and diligence that it is reasonable to expect of a person providing similar services.

### **Delegation by the Issuer Manager**

The Issuer Manager may, subject to the Board of Directors' approval, subcontract or delegate the performance of all or any of its obligations to perform the Issuer Manager Services and any Additional Services if it has provided prior written notice to the Issuer and the following conditions are met:

- (a) the Issuer Manager has made the choice of subcontractor or delegate observing the standard of care required under the Issuer Management Agreement;
- (b) any subcontractor or delegate has executed a written waiver of any present or future claims against the Issuer that may arise in its favour in connection with the subcontracted or delegated services; and
- (c) the proposed subcontractor or delegate has entered into a confidentiality agreement substantially on the terms provided in the Issuer Management Agreement.

The Issuer Manager does not need to notify the Issuer of the engagement, on a case by case basis, of any professional adviser in respect of the services it is providing though, if the expenses of such professional adviser exceed €2,500 in relation to a single matter or €12,500 in the course of a calendar year it cannot make any such appointment until and unless it has obtained the consent of the Board of Directors. This restriction shall not apply if the Issuer Manager meets the cost of such professional advisers from its own resources, as opposed to looking to the Issuer to meet such costs.

The use of subcontractors or delegates does not release the Issuer Manager from any duty or liability under the Issuer Management Agreement and it will remain responsible for the performance of its obligations to the Issuer.

### **Liability of the Issuer Manager**

For the purposes of determining liability, the activities of the Issuer Manager are divided into two categories:

- (a) discretionary functions; and
- (b) non-discretionary functions.

Discretionary functions, such as dealing with Modification Requests an Enforcement Scenario will generally involve the Issuer Manager exercising judgment. In relation to discretionary action, the Issuer Manager will only incur liability where losses are sustained by the Issuer as a result of fraud, negligence or wilful misconduct.

Non-discretionary functions are administrative in nature and their performance does not involve the exercise of any judgement. The Issuer Manager will, subject to any applicable

defences, be liable for losses sustained by the Issuer for any failure to perform a non-discretionary function.

The Issuer Management Agreement excludes the Issuer Manager's liability for failure to carry out its obligations under the Issuer Management Agreement in case of certain force majeure events, subject to certain exclusions.

The Issuer Manager is not liable for any obligations of any Borrower in respect of any Loan or its related security, or any capital or liquidity shortfall of the Issuer or any fees, expenses or costs payable to other service providers of the Issuer. Nor does it have any liability for any third party service provider providing services to the Issuer.

If the Issuer Management Agreement requires the Issuer Manager to obtain the consent or approval of the Issuer before taking any action and the Issuer Manager has taken all reasonable steps to obtain such consent and the Issuer has not provided, or declined to provide, such consent within a reasonable time, the Issuer Manager will not be liable for failing to take action before receiving such consent. In addition, the Issuer Manager will not be liable for acting in accordance with any direction of the Issuer where it is required to act in accordance with such direction, or for not acting in accordance with any such direction to the extent the Issuer Manager and/or its legal advisors reasonably believe that to do so would result in an illegal act or would cause it to breach its legal or regulatory obligations.

The Issuer Manager is obliged to take reasonable steps to mitigate losses resulting from any event resulting in losses for which its liability is excluded as set out above.

### **Indemnity**

The Issuer will fully indemnify the Issuer Manager from and against all losses it may incur or that may be made against in connection with its appointment under the Issuer Management Agreement, save where such losses result from the negligence, wilful default or fraud by the Issuer Manager, its officers or employees or any subcontractor or delegate or a breach by the Issuer Manager of the terms of the Agreement.

### **Fees**

The Issuer Manager is entitled to a periodic management fee calculated on the basis of a percentage multiplied by the principal amount outstanding of the Loans on the date the fee is calculated. The provisions of any Additional Services will be based on fees agreed in the Additional Services Agreement.

In addition, the Issuer will reimburse the Issuer Manager for all reasonable out-of-pocket costs properly paid or incurred by the Issuer Manager in the performance of its services and obligations under the Issuer Management Agreement. However, should the Issuer Manager incur expenses exceed €2,500 in any calendar year, it shall, in order to obtain reimbursement, require the consent of the Board of Directors.

### **Term of Agreement and Termination Events**

The Issuer Manager's appointment continues until the end of the life of the Programme but, can be terminated by the Issuer at will at any time. Such a termination can occur by the Issuer serving the Issuer Manager with six months' prior written notice. Notwithstanding this ability in relation to the Issuer Manager appointed on the Programme Establishment Date, its

appointment cannot be terminated for a period of 1.5 years from the date of issuance of the first Tranche of Notes (including the notice period).

The Issuer can also terminate Issuer Manager's appointment at any time following the occurrence of a termination event specified in the Issuer Management Agreement, including the following:

- (a) the Issuer Manager fails to make a payment pursuant to a Transaction Document, if such payment is not made within five Business Days of the time required to be made, or in cases of inadvertent error, if the Issuer Manager fails to rectify such error within ten Business Days upon becoming aware of such error;
- (b) the Issuer Manager fails to perform any of its covenants, duties and obligations under the Issuer Management Agreement which is materially prejudicial to the interests of the Issuer and such a situation continues unremedied for a period of 30 Business Days after the earlier of the Issuer Manager becoming aware thereof and written notice being served on the Issuer Manager by the Issuer requiring the same to be remedied, or is a default that is no remediable; or
- (c) the Issuer Manager fails to obtain or maintain a licence, consent or regulatory approval that is required under any applicable law or regulation, and such failure would have a material adverse effect on the ability to discharge its functions or on the Programme as a whole; or
- (d) an insolvency event in respect of the Issuer Manager has occurred.

Any termination of the appointment of the Issuer Manager will only take effect if a replacement issuer manager has been approved.

The Issuer Manager may resign by giving the Issuer no less than six months' prior notice, though such resignation will take effect only if a replacement issuer manager has been appointed.

### **Governing Law and Jurisdiction**

The Issuer Management Agreement is governed by Belgian law, and the Belgian courts have exclusive jurisdiction to settle any dispute in connection with the Issuer Management Agreement.

### **Conflicts of Interest and their Resolution**

The Issuer Management Agreement provides that in providing the Issuer Manager Services and Additional Services, the Issuer Manager shall avoid the following actual or potential conflicts of interests:

- (a) conflicts between the interests of the Issuer and the Issuer Manager's own interests or any interests of any of its affiliates;
- (b) conflicts between the interest of the Issuer and any of the Issuer Manager's directors, officers or employees or the those of any of its affiliates; and

- (c) conflicts between the interests of the Issuer and any third party to which the Issuer Manager or any of its affiliates may provide services from time to time.

If the Issuer Manager thinks that any such conflict of interest has arisen, it shall notify the Issuer of such conflict as soon as practically possible and before taking any action in relation to the relevant subject matter. The Issuer, acting through the Board of Directors, shall review any conflict of interest notification promptly and provide the Issuer Manager with instructions on how to proceed. The Issuer may decide to allow the Issuer Manager to take the proposed action, or require the Issuer Manager to refrain from taking the action, or impose such conditions on it that the Issuer considers appropriate in the circumstances. If the Issuer Manager does not feel able to follow this course of action it has the right to resign, though pending its removal it shall follow the direction of the Board of Directors, acting without any liability to the Issuer if it does so in accordance with the standards it is bound by.

### **Over Issuance**

Each issuance of Notes will involve the Issuer incurring certain fees, costs and expenses as part of the issuance process, including the fees of the Dealers. In order to pay these fees, costs and expenses, the Issuer will issue any principal amount of Notes which is marginally greater than the principal amount of the Related Loan (the “**Over Issuance**”).

## KEY STRUCTURAL FEATURES OF THE PROGRAMME

### Structural Integrity of the Issuer

The Issuer has been established to minimise the possibility that it becomes subject to an insolvency proceeding. The key features designed to achieve this aim are:

- (a) limiting the activities of the Issuer to those connected with the Programme. By doing so, the number of creditors that the Issuer has is limited;
- (b) limiting the recourse that Noteholders have in relation to payment of interest on and repayment of principal of the Notes to the Related Loans. By doing so, the ability of the Issuer to meet its obligation in respect of other Notes is preserved; and
- (c) limiting the actions that the Noteholders and the Transaction Parties can take against the Issuer and requiring that action be taken through the intermediacy of the Trustee. By doing so, an organised approach is maintained in respect of such action, save if the Trustee, being bound to do so, fails to take such action.

While there can, as indicated above, be no assurance that the Issuer will not be subject to an insolvency process, these structural features are designed to enable it to perform its obligations while mitigating the insolvency risk.

### Transparency in Terms of Credit Exposure

Noteholders will have clear visibility on the credit exposure that they have by holding any Tranche of Notes. In other words, the Issuer is not exposed to credit risk in this way. The exposure of the Loans is passed through to the holders of the Related Notes. The Issuer's financial position is unaffected by whether or not a Loan is repaid timely or in full. Thus, as indicated above, payment of interest on and repayment of principal of any Notes will be funded by payment of interest on and repayment of principal of the Related Loans (the "**Related Loan Cash Flow**").

If Related Loan Cash Flow is realised, it will be applied in only two ways:

- (a) to pay the operating costs of the Issuer, including amounts owed to Transaction Parties and the constitution of the Cash Reserve; and
- (b) to pay interest and principal due on the Related Notes,

and should any Related Loan Cash Flow remain after such application, it will be retained in the relevant Tranche Account (as defined below).

### Cash Flow Management

The Issuer will enter into an account bank and cash management agreement with the Account Bank and Cash Manager and the Issuer Manager (the "**Account Bank and Cash Management Agreement**"). The Account Bank and Cash Management Agreement will provide, among

other things:

- (a) that all Related Loan Cash Flow relating to a Tranche of Notes is collected into a single bank account in the name of the Issuer with the Account Bank and Cash Manager (the "**Tranche Account**"). The Issuer will have one Tranche Account for each Tranche of Notes that it issues;
- (b) except in case of a Tranche-Specific Event of Default in respect of any Tranche and the enforcement of Tranche Specific Security occurring as a result of such a Tranche-Specific Event of Default, on the payment date in respect of all Notes (the "**Note Payment Date**"), all amounts standing to the credit of each Tranche Account on the day falling five (5) Business Days prior to such Note Payment Date (the "**Determination Date**") shall be applied as follows:
  - (i) **first**, to pay all amounts due to the Trustee in respect of the services provided by it in relation to the relevant Tranche;
  - (ii) **second**, to pay all amounts due to the Issuer Manager, the Account Bank and Cash Manager, the Principal Paying Agent, the Calculation Agent and Administrator and the Corporate Services Provider on a pro rata and pari passu basis in respect of the services provided by or in relation to that Tranche;
  - (iii) **third**, to pay or repay, as the case may be:
    - (A) **first**, all interest then due in respect of the relevant Tranche;
    - (B) **second**, all other amounts (other than principal) due in respect of the relevant Tranche, including any payment to constitute the Cash Reserve; and
    - (C) **third**, all amounts of principal due in respect of the relevant Tranche,
  - (iv) **fourth**, to the extent that any additional funds remain within that Tranche Account following the application of funds as contemplated above, to transfer the same to the Reserve Account;
- (c) that the Issuer Manager shall monitor and maintain a record of amounts paid into each Tranche Account, including the sources from which such payments were made; and
- (d) that, notwithstanding the priority of payment described above, if on any date the Issuer owes any amount to an entity that is not a Transaction Party, the Issuer Manager shall arrange for monies in each Tranche Account to be available to pay the relevant amounts.

Following the occurrence of a Tranche-Specific Event of Default in respect of any Tranche and the enforcement of the Tranche Specific Security occurring as a result of such a Tranche-Specific Event of Default, the application of cash flow shall take place in accordance with the Terms and Conditions.

The application of funds in relation to each Note Payment Date is without prejudice to the provisions of **Condition 4.2 (Scheduled Repayment – Related Loans)** and **Condition 4.3 (Early Redemption – Related Loan)**.



## **Implicit Hedging**

The Issuer will not have any hedging arrangements. Rather, the Notes of any Tranche will "match" the Related Loans in relation to:

- (a) interest rate basis (thus, if the Issuer proposes to make a Loan that bears interest at a fixed rate, the Related Notes will be Fixed Rate Notes) and if the Issuer proposes to make a Loan that bears interest at a floating rate, the Related Notes will be Floating Rate Notes; and
- (b) currency (for example, if the Issuer proposes to make a Loan denominated in Euro, the Related Notes will also be denominated in Euro).

It is not contemplated that the Issuer will enter into any hedging transactions at any time during the life of the Programme.

## **Pass Through Preservation**

In order to ensure that the Notes pass through to the Noteholder the amounts earned on the Related Loans (less operating costs of the Issuer), the reference rate, interest, accrual period and maturity profile of the Notes will match the Related Loan. This approach, together with the matching described above in relation to interest rate basis and currency are consistent with the "pass through" nature of the Notes.

## **Minimising Negative Carry**

As described above, it is possible that Loans will repay or prepay principal amounts prior to their final maturity. In this event, unless the Issuer is able to redeem the Related Notes on the next following Business Day, the interest payable by the Issuer in respect of the amounts so repaid or prepaid will be limited to the interest earned on the relevant Tranche Account. This approach reflects the fact that in the scenario, the relevant Notes are, to the extent of the repayment or prepayment of the relevant Related Loan, cash-backed.

## **Cash Reserve**

As indicated above, the Issuer will have Cash Reserves which are sized to provide it with a source of liquidity which may be used by it for the purpose of meeting its operating expenses. These cash reserves shall be maintained in an account designated the "**Reserve Account**".

The Cash Reserves will be constituted by interest to be paid by Borrowers on the Loans and accumulated over time. In order to fund the Cash Reserve as Borrowers will be charged a specific amount as part of the interest paid in respect of a Loan, being 0.06 per cent of the principal amount of the relevant Loan.

Amounts held in the Reserve Account may be used to meet Tranche related expenses if funds in the Tranche Account are not sufficient for such purpose.

The Cash Reserves are not, however, intended to be used to pay interest on or repay the principal of the Notes and, for the avoidance of doubt, the phrase "Tranche related expenses" does not interest or principal.

## **Issuer Security Arrangements**

All of the assets of the Issuer will be the subject of security arrangements benefiting the Noteholders and the Transaction Parties (the "**Issuer Secured Creditors**").

The security will be structured as follows:

- (a) the Issuer will pledge all its right, title and interest in respect of the Loans and, as the case may be, from any security interest relating to such Loans (including the Guarantees), and all cash flow, arising out of such Loans or such security interest, for the benefit of the Noteholders of the Related Notes and the other Issuer Secured Creditors;
- (b) the Issuer will pledge all its right, title and interest in respect of the relevant Tranche Account for the benefit of the Noteholders of the Related Notes and the other Issuer Secured Creditors; and
- (c) the Issuer will pledge all its right, title and interest in respect of all other assets that it has from time to time for the benefit of the Issuer Secured Creditors as a whole, without reference to any Tranche of Notes.

## **Role of the Trustee**

The Trustee, Stichting Trustee Publinvest, is a foundation (*stichting*) incorporated on 27 November 2013 law of The Netherlands. It is operated by Amsterdamsch Trustee's Kantoor B.V. which is appointed as director pursuant to a management agreement to be entered into on or about the Programme Establishment Date and setting out the undertakings and liabilities of the Directors. The Director complies with the requirements of the Dutch Act on the Supervision of Trust Offices (*Wet toezicht trustkantoren*). The Trustee is effectively organised as an orphan structure which provides non-bankruptcy comfort, thereby ensuring the continuity of its position throughout the duration of the Transaction. The Trustee will be managed by its directors who will be appointed by Intertrust Group but whose activities will be undertaken in accordance with the Trust Deed and the Issuer and Conditions of the Notes.

## **Conflicts of Interest**

ING Belgium has, and will continue to have numerous contract dealings with the Belgian Regions. ING Belgium will ensure that the limited involvement it has in respect of the Programme will not affect, nor be affected by, its wider activities in relation to public finance in Belgium.

The Issuer Manager and the Board of Directors do not have the same conflicts of interest as ING Belgium, not being involved in other dealings with the Belgian Regions of the type undertaken by ING Belgium. The Issuer Manager is, as described above, subject to contractual rules in relation to managing conflicts of interest that may arise. In the event that a member of the Board of Directors has a conflict of interest within the meaning of the Belgian Company Code, this will be addressed in accordance with the provisions of the Belgian Company Code.

## COSTS OF THE PROGRAMME

In order to establish and operate the Programme, certain expenses have been incurred and further expenses will be incurred going-forward. These expenses and how they have or will be paid for are described below. For these purposes of this description, these costs may be categorised as "**Establishment Costs**", "**Issuance Costs**" and "**Operating Costs**".

Certain of these costs are "**fixed costs**" in that they are absolute amounts and decrease in percentage terms as the size of the Programme increases. Other costs are "**variable costs**" and do increase as the size of the Programme increases. Finally, certain of the costs are so-called "**semi-variable**" in that these will increase as the number of Tranches increases as part of particular issuance.

The Issuer is required to be self-standing from a costs perspective. At all times when Notes are in issue under the Programme, the full costs (including all fixed costs, variable costs and semi-variable costs) will be covered by the margin between the interests received (by the Issuer from the Borrowers) under the Loans and the interests paid (by the Issuer to the Noteholders) under the Notes. This applies regardless as to whether it relates to the first issuance or on an aggregate basis, to any subsequent issuances under the Programme.

This means that the fixed costs that the Issuer has to pay must be met in full from the cash flow generated by the first Loan that the Issuer makes. This may have a bearing on the rate of interest that the Issuer may be required to charge in respect of that Loan (which may be higher than other Loans that the Issuer subsequently makes). The higher rate of interest will not benefit holders of the Related Notes, though they will receive the rate of interest on the Related Notes which has been reflected in the relevant Final Terms.

**The figures set out below are maximum figures. Notwithstanding the information set out above and the figures set out below, the Issuer will cooperate with all Transaction Parties to ensure that the first Loan and the first Note offering will be competitive.**

### Establishment Costs

The costs of establishing the Programme have been paid by ING Belgium in its capacity as arranger of the Programme.

These costs, which in aggregate amount to €1,250,000, are principally made up of advisory fees:

	€
(a) fees, costs and expenses of legal counsel:	1,050,000;
(b) fees, costs and expenses of accounting advisers and other professional costs:	200,000

(together, the "**Establishment Costs**").

The Establishment Costs are fixed costs in that they are unrelated to the size of the Programme or the amount of the issuance of any individual Tranche and have been incurred before the Programme Establishment Date. These costs have been paid from time to time during the

process of establishing the Programme and will have been discharged by ING Belgium before the issuance of any Notes.

ING Belgium will seek to recover approximately 60 per cent of these costs from the Issuer (an amount of approximately €750,000) and will bear approximately 40 per cent of these costs itself and will not seek to recover these from the Issuer. These costs will be recovered by ING Belgium pursuant to a subordinated loan agreement under which the Issuer will pay such amounts to ING Belgium only from amounts constituting the Cash Reserve and only if the balance of the Cash Reserve, both before and after such payment, is at least €100,000. Interest will be charged by ING Belgium in respect of the Subordinated Loan at an arm's length market rate.

### **Issuance Costs**

In relation to any issuance of Notes of any Tranche, the Issuer will incur certain expenses. These will be:

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|--|--|
| (a) fees payable to the Joint Arrangers and Lead Managers  | 0.35 per cent multiplied by the principal amount of the Notes issued in that Tranche;                    |
| (b) Structuring fee payable to ING Belgium:  | 0.10 per cent multiplied by the principal amount of the Notes issued in that Tranche;                    |
| (c) fees, costs and expenses of the Rating Agencies:   | these amounts are in line with rating agency fee scales but are subject to confidentiality restrictions; |
| (d) advisory fees, costs and expenses (such as legal fees in relation to Final Terms applicable to that Tranche and any other matters) | variable but should be <i>de minimis</i> compared to the amounts described in (a) and (b);               |

(together, the "**Issuance Costs**").

The Issuer will pay all Issuance Costs from the proceeds of the Over Issuance and the amount of the Over Issuance will be sized so that the Issuance Costs can be met. Absent the Over Issuance, the Issuer would have no funds with which to pay the Issuance Costs. The Issuance Costs will be paid on only one occasion in respect of the relevant Tranche and not be met from cash flow generated by the Loans.

### **Operating Costs**

The Issuer has various costs associated with its operations. These can be divided into:

- (a) fees, costs and expenses of Transaction Parties; and
- (b) fees, costs and expenses of service providers that are not Transaction Parties.

With respect to Transaction Parties, the Operating Costs are as follows:

- |  |  |
|--|--|
| (a) the Issuer Manager:                      | a maximum of 0.22 per cent. per annum multiplied by the principal amount of each Tranche (and 0.19 per cent. as long as the size programme does not exceeds €650,000,000).<br><br>This is a variable cost per annum; |
| (b) the Calculation Agent and Administrator: | €12,000 per annum. This is a fixed cost;   |
| (c) the Principal Paying Agent:              | €750 per Tranche on each Note Payment Date; This is a semi-variable cost;  |
| (d) the Trustee:                             | €9,000 per annum. This is a fixed cost;  |
| (e) the Corporate Services Provider:         | €40,000per annum. This is a fixed cost;  |

(the "**Transaction Parties Costs**").

With respect to the service providers that are not Transaction Parties, the Operating Costs are as follows:

- |   |   |
|---|---|
| (a) fees, costs and expenses of the Board of Directors: | €60,000 per annum. This is a fixed cost;                  |
| (b) the fees, costs and expenses of the Listing Agent:  | €5,000 upfront per Tranche. This is a semi-variable cost; |

In addition to the specific cost items described above, the Issuer will, it is anticipated, be required to pay another €100,000 as sundry expenses (the "**Miscellaneous Expenses**"). The Miscellaneous Expenses include: the fees charged by the Rating Agencies for surveillance of the Notes, the fees charged by the Account Bank and Cash Manager for opening the bank accounts of the Issuer; the fees of the auditors; the cost of paying indemnity insurance for the directors of the Issuer; the cost of tax compliance; the costs of maintaining the Issuer Shareholder. Again, as the Programme grows in size, because a number of these costs are fixed costs, the applicable percentages will decrease.

All Operating Costs must be paid from interest generated by the Related Loans and are payable, as indicated above on an annual basis.

In addition to the amounts contemplated above, it is possible that each of the Transaction Parties (but in particular, the Issuer Manager and the Trustees) will incur additional costs, such as for advisers appointed by them and which must be paid by the Issuer. This is normal practice

in the context of similar transactions and in the context of the Issuer Manager is subject to approval by the Board of Directors if the costs exceed €2,500 on any single occasion and €12,500 in any year. While those costs are not limited, all the Transaction Parties are professional entities whose business model involves them providing similar services to other principals and will incur costs only to the extent that doing so is necessary or incidental to the functions they perform as Transaction Parties.

## **VAT**

Various of the services used by the Issuer will involve VAT being imposed on their supply. The Issuer will be required to pay this VAT, as would be the case for any consumer of such services. Thus, the Issuer will have to have funds available to pay these amounts. These amounts will also have to be funded from the cash flow generated by the Related Loans.

## **The Cash Reserve**

Finally, the Issuer will apply a maximum of 0.06 per cent per annum of the principal amount of each Tranche to constitute the Cash Reserve, with the applicable percentage increasing as the size of the Programme increases.

The Cash Reserve will be used for three purposes:

- (a) to provide a limited amount of liquidity to meet the various Operating Costs if there is a disruption in cash-flows relating to the Loans or any of them, thus enabling the Operating Costs to be met. The target balance of the Cash Reserve at any time will, as indicated above be €100,000 and no distributions of the type described below can be made from the Cash Reserve if this minimum balance is not maintained;
- (b) to pay ING Belgium approximately 60 per cent of the amount (including interests) it has paid by way of the Establishment Costs, as described above, through repayment of the subordinated loan, as described above, together with applicable interest; and
- (c) to pay to the shareholders of the Issuer any surplus on the Cash Reserve by way of dividends.

## **Aggregate Issuance Costs and Operating Costs**

Based on the calculations described above:

- (a) For a €100,000,000 issuance involving five Tranches:
  - a. the aggregate amount of Issuance Costs will be between €450,000 and €600,000, such costs being paid upfront and not applying per annum; and
  - b. the aggregate amount of Operating Costs will be €530,000 per annum.

In terms of distinguishing between variable, semi-variable and fixed costs, for a €100,000,000 issuance involving five Tranches:

- a. the variable costs amount to a 0.25 per cent. per annum (of which 0.19 per cent. of fees of the Issuer Manager and 0.06 per cent. of funding of the Cash Reserve) multiplied by the principal amount of the five Tranches;

- b. the semi-variable costs amount to approximately €31,000; and
- c. the fixed costs (including VAT) amount to approximately €250,000;

and in aggregate the costs would amount to 0.53 per cent per annum multiplied by the principal amount of the five Tranches.

(b) For a €100,000,000 issuance involving two Tranches:

- a. the aggregate amount of Issuance Costs will remain between €450,000 and €600,000, such costs being paid upfront and not applying per annum; and
- b. the aggregate amount of Operating Costs will be €510,000 per annum.

In terms of distinguishing between variable, semi-variable and fixed costs, for a €100,000,000 issuance involving two Tranches:

- a. the variable costs amount to 0.25 per cent per annum multiplied by the principal amount of the two Tranches;
- b. the semi-variable costs amount to approximately €13,000; and
- c. the fixed costs (including VAT) amount to approximately €250,000;

and in aggregate the costs would amount to 0.51 per cent per annum multiplied by the principal amount of the two Tranches.

(c) For a €500,000,000 issuance involving ten Tranches: the aggregate amount of Operating Costs would be approximately €1.650,000 per annum and in aggregate the Operating Costs would amount to 0.33 per cent per annum multiplied by the principal amount of the ten Tranches.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. They will apply to the Notes in whatever form they are issued. Other terms may be specified in any Final Terms and, in the event of any inconsistency, the terms specified in the Final Terms shall prevail.*

Publinvest NV (the "**Issuer**") shall issue the notes (the "**Notes**") in a principal amount of up to €2,500,000,000 (the "**Programme Limit**").

The Notes will be issued in tranches (each a "**Tranche**" and together, the "**Tranches**"). Each Tranche will be allocated to one of three series (each a "**Series**" and together, the "**Series**"). The Series are described in further detail below.

The establishment of the Programme, and the terms on which it is undertaken, has been approved by a resolution of the board of directors (the "**Board of Directors**") of the Issuer on 9 December 2013 (the "**Programme Establishment Date**"). The issuance of each Tranche will similarly be approved by a resolution of the Board of Directors on or immediately prior to the date of issuance of such Tranche (the "**Issuance Date**").

The Notes are constituted pursuant to a trust deed dated on or around the Programme Establishment Date (the "**Trust Deed**", as the same may be modified or supplemented from time to time) between the Issuer and the Stichting Trustee Publinvest (the "**Trustee**", which expression includes its successors as trustee or any further or other trustees under the Trust Deed).

The proceeds of issuing the Notes will be used by the Issuer to make loans (the "**Loans**") to entities (the "**Borrowers**") involved in the provision of social infrastructure in Belgium and whose financial obligations are backed, explicitly or implicitly, by the Flemish Region, the Walloon Region or the Brussels Capital Region, as applicable.

Noteholders (as defined below) have the benefit of but are bound by the terms of:

- (a) the Trust Deed;
- (b) the Issuer Security Arrangements;
- (c) the Issuer Management Agreement;
- (d) the Agency Agreement;
- (e) the Account Bank and Cash Management Agreement; and
- (f) the Administration and Calculation Agency Agreement,

(each a "**Transaction Document**" and together, the "**Transaction Documents**"). In addition to the Trust Deed, the other Transaction Documents are entered into on the Programme Establishment Date, save for certain elements of the Issuer Security Arrangements, which, as described in further detail below, will be entered into on or around the various Issuance Dates.

Copies of each of the Transaction Documents are available to Noteholders for inspection at the specified offices of the Trustee, the Principal Paying Agent and the Issuer Manager. Save to the extent defined therein, defined terms used in the Transaction Documents will be given the meanings prescribed to them in the master definition schedule signed for identification on 29



November 2013 by Laga (as the same may be amended, varied or supplemented from time to time (the "**Master Definition Schedule**")

## **1. FORM, DENOMINATION, TITLE AND SELLING RESTRICTIONS**

### **1.1 Form**

- (a) (i) The Notes will be issued in dematerialised form in accordance with Article 468 *et. seq.* of the Belgian Company Code, as amended from time to time. The Notes will be cleared through the X/N accounts system of the National Bank of Belgium in accordance with the Act of 6 August 1993 on transactions in certain securities (*loi relative aux opérations sur certaines valeurs mobilières/wet betreffende de transacties met bepaalde effecten*) and the corresponding royal decrees of 26 May 1994 and 14 June 1994 (the "**X/N System**").
  - (ii) The Notes can be held by their holders through the participants in the X/N System who have "X Accounts", including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking *société anonyme* ("**Clearstream, Luxembourg**") and through other financial intermediaries which in turn hold the Notes through Euroclear and Clearstream Luxembourg or other such participants in the X/N System. The Notes are transferred through book entries.
  - (iii) Payments of principal, interest and other sums due in respect of the Notes will be made in accordance with the rules of the X/N System, through the National Bank of Belgium.
  - (iv) Noteholders are entitled to exercise the rights they have, including exercising their voting rights and other associative rights (as defined for the purposes of Article 474 of the Belgian Company Code) against the Issuer upon submission of an affidavit drawn up by the National Bank of Belgium, Euroclear or any other participant in the X/N System, duly licensed in Belgium to keep dematerialised securities accounts, showing the position of such Noteholder in the Notes (or the position held by the financial institution through which their Notes are held with the National Bank of Belgium, Euroclear or such other participant in the X/N System, in which case an affidavit drawn up by that financial institution will also be required).
- (b) The Noteholders will not be entitled to the exchange of Notes into bearer form.

### **1.2 Alternative Clearing System**

If at any time the Notes are cleared through another clearing system which is not the X/N System, then the clearing regulations of such alternative clearing system shall apply to the Notes.

### **1.3 Denominations**

The Notes will be issued in denominations of €100,000 (or the equivalent thereof in any other OECD currency).

#### 1.4 Holding, Selling and Transfer Restrictions

- (a) The Notes may only be acquired, by subscription, transfer or otherwise, and may only be held by, Eligible Holders (as defined below).
- (b) "**Eligible Holders**" are those entities referred to in article 4 of the *Arrêté Royal du 26 mai 1994 relatif à la perception et à la bonification du précompte mobilier* (Belgian Royal Decree of 26 May 1994 on the collection and indemnification of withholding tax) which include, among others:
  - (i) Belgian corporations, subject to Belgian corporate income tax;
  - (ii) institutions, associations or companies specified in article 2, §3 of the law of 9 July 1975 on the control of insurance companies other than those referred to in 1° and 3° without prejudice to the application of article 262, 1° and 5° of the Income Tax Code of 1992;
  - (iii) state regulated institutions (*institutions parastatales/parastatalen*) for social security, or institutions which are assimilated therewith provided for in article 105, 2° of the Royal Decree implementing the Income Tax Code 1992;
  - (iv) non-resident investors provided for in article 105, 5° of the same decree;
  - (v) investment funds recognised in the framework of pension savings provided for in article 115 of the same decree;
  - (vi) tax payers provided for in article 227,2° of the Income Tax Code 1992 which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident income tax pursuant to article 233 of the same code;
  - (vii) the Belgian State, in respect of investments which are exempt from withholding tax in accordance with article 265 of the Income Tax Code 1992;
  - (viii) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, provided the fund units are not offered publicly in Belgium or traded in Belgium; and
  - (ix) Belgian resident corporations not provided for under paragraph (i) when their activities exclusively or principally consist of the granting of credits and loans.
- (c) Eligible Holders exclude, among others:
  - (i) private individuals resident in Belgium for tax purposes;
  - (ii) non-profit making organisations other than those mentioned under paragraph (b)(ii) or (b)(iii) above; and

- (iii) non-incorporated Belgian collective investment schemes (*fonds de placements/beleggingsfondsen*) and similar foreign funds whose units are publicly offered or marketed in Belgium.
- (d) An Eligible Holder may hold Notes, and receive any payments to be made by or on behalf of the Issuer of principal and interest on the Notes without deduction of withholding tax for Notes, either:
  - (i) directly by opening an exempt securities account (an "**Exempt Account**") with the X/N System, or
  - (ii) indirectly by holding an Exempt Account with a participant in the X/N System (a "**Participant**").
- (e) Upon opening of an Exempt Account with the X/N System or with a Participant, an Eligible Holder is required to provide a statement of its eligible status on a form approved by the Belgian Minister of Finance. There are no ongoing declaration requirements for Eligible Holders. However, Participants are required to make annual declarations to the X/N System as to the eligible status of each investor for whom they hold Notes in an Exempt Account. Such requirements do not apply in respect of Notes held by non-resident Eligible Holders who have accounts with Euroclear or Clearstream, Luxembourg in their capacity as Participants in the X/N System, or their sub-participants outside of Belgium, provided that Euroclear or Clearstream, Luxembourg or their sub-participants only hold X-accounts and are able to identify the accountholder.
- (f) An Exempt Account may be opened with a Participant by an intermediary (an "**Intermediary**") in respect of Notes that the Intermediary holds for the account of its clients (the "**Beneficial Owners**"), provided that each Beneficial Owner is an Eligible Holder. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Belgian Minister of Finance confirming that
  - (i) the Intermediary is itself an Eligible Holder, and
  - (ii) the Beneficial Owners holding their Notes through it are also Eligible Holders.
- (g) No Noteholder may transfer any Notes unless the aggregate principal amount of Notes transferred by such Noteholder equals at least €100,000, being the denomination in which the Notes are issued.

## 1.5 Series of Notes

- (a) The Notes will be issued in three different Series:
  - (i) Notes that are issued to fund Loans that are made to the Borrowers whose obligation to pay interest on and repay the principal of the Loans are explicitly guaranteed by the Flemish Region (the "**G-F Series**");

- (ii) Notes that are issued to fund Loans that are made to Borrowers whose obligation to pay interest on and repay the principal of the Loans are explicitly guaranteed by the Walloon (the "**G-W Series**"); and
  - (iii) Notes that are issued to fund Loans that are made either to Borrowers whose obligation to pay interest on and repay the principal of the Loans are explicitly guaranteed by the Brussels Capital Region (the "**G-B Series**"), it being understood that until such time as the Brussels Capital Region issues its own listed debt instruments, no such series will be issued as part of the Programme.
- (b) Each Tranche of Notes will be allocated to one Series. There is no limit to the principal amount of Notes that may be issued in respect of any Series **provided that** the aggregate amount of issuance of all Series must, at all times, be less than the Programme Limit.

## 2. STATUS, SECURITY AND PRIORITY OF PAYMENTS

### 2.1 Status

The Notes of each Tranche constitute direct, secured and unconditional obligations of the Issuer, ranking *pari passu* among themselves, without preference or priority.

### 2.2 Security

- (a) The Issuer will enter into two categories of security for the Notes of all Tranches:
- (i) "**Tranche-Specific Security**": which is granted for the benefit only of the Noteholders of a specific Tranche of Notes and the Trustee, the Issuer Manager, the Principal Paying Agent, the Account Bank and Cash Manager and any other party to any other Transaction Document in relation to that Tranche, whom the Issuer and the Issuer Manager, in all cases, jointly designate as a beneficiary of the Tranche-Specific Security; and
  - (ii) "**Programme-Wide Security**": which is granted for the benefit of Noteholders of all Tranches and the Trustee, the Issuer Manager, the Principal Paying Agent, the Account Bank and Cash Manager and any other party to any other Transaction Document in relation to any Tranche, whom the Issuer and the Issuer Manager, in all cases designate as a beneficiary of the Programme-Wide Security.
- (b) The Tranche-Specific Security shall be made up of all the Issuer's rights, title and interest in respect of the Loans funded by the Notes of the relevant Tranche and the cash flow generated by them (the "**Tranche-Specific Loans**"), and all the Issuer's rights, title and interest in respect of the Issuer's bank account into which the proceeds of the Tranche-Specific Loans are collected (each a "**Tranche Account**" and together, the "**Tranche Accounts**"). The Tranche-Specific Security will be constituted by the Issuer entering into a Belgian law governed pledge agreement (each a "**Tranche-Specific Pledge Agreement**")

and together, the "**Tranche-Specific Pledge Agreements**") on or prior to each Issuance Date. The Tranche-Specific Pledge Agreements will create a first ranking commercial pledge (*handelspand/gage commercial*) for the benefit of the relevant beneficiaries. Payment of interest on and repayment of principal in respect of a particular Loan cannot be used to fund payments of interest on and repayment of principal of any Note that is not a Related Note. Notes therefore are not cross-collateralised by the entire pool of Loans and the Loans are "ring-fenced" for the benefit of the Related Notes only.

- (c) The Programme-Wide Security shall be made up of all the Issuer's rights, title and interest in respect of all Transaction Documents (other than each Tranche-Specific Pledge Agreement) and a cash-reserve constituted by the Issuer in connection with the Programme (the "**Cash Reserve**"), though, as described in Condition 2.3(b)(iv) below, any security interest in respect of the Cash Reserves shall not benefit the Noteholders of any Tranche. The Programme Wide Security will be constituted by the Issuer entering into a Belgian law governed pledge agreement (the "**Programme-Wide Pledge Agreement**") on the Programme Establishment Date. The Programme-wide Pledge Agreement will create a first ranking commercial pledge (*handelspand/gage commercial*) for the benefit of the relevant beneficiaries.
- (d) The Tranche-Specific Security and the Programme Wide Security together constitute the "**Issuer Security Arrangements**".
- (e) The Tranche Specific Pledge Agreements and the Programme-wide Pledge Agreement together constitute the "**Issuer Security Documents**".

### 2.3 **Priority of Payments Post Default**

- (a) In the event that the Tranche-Specific Security is enforced following the occurrence of a Tranche-Specific Event of Default, the proceeds of such enforcement shall be applied in the following order of priority:
  - (i) **first**, to the Trustee, a Pro Rata Tranche Allocation of the aggregated fees, costs and expenses owed to it in relation to the Programme as a whole;
  - (ii) **second**, to the Issuer Manager, the Account Bank and Cash Manager, the Principal Paying Agent, the Calculation Agent and Administrator and the Corporate Services Provider, each on a pari passu basis, a Pro Rata Tranche Allocation of any amounts owed to such Parties in relation to the Programme as a whole and unpaid after the application of proceeds of all Tranche-Specific Security;
  - (iii) **third**, to the Noteholders of that Tranche, all amounts of interest, principal, fees and other amounts owed to them as at the date of such application.

In relation to any specific Tranche, if the Issuer and the Issuer Manager determine prior to the issuance of a particular Tranche that any other entity should benefit from the Tranche-Specific Security relating to that Tranche, the

order of priorities indicated above may be modified and the revised order of priorities set out in full in the applicable Final Terms.

- (b) In the event that the Programme Wide Security is enforced following the occurrence of a Programme-Wide Event of Default, the proceeds thereof shall be applied in the following order of priority:
- (i) **first**, to the Trustee, any amounts owed to it in relation to the Programme as a whole and unpaid after the application of proceeds of all Tranche-Specific Security;
  - (ii) **second**, to the Issuer Manager, the Account Bank and Cash Manager, the Principal Paying Agent, the Calculation Agent and Administrator and the Corporate Services Provider each on a pari passu basis, a Pro Rata Tranche Allocation of any amounts owed to it in relation to the Programme as a whole and unpaid after the application of proceeds of all Tranche-Specific Security;
  - (iii) **third**, save in respect of any proceeds realised through the enforcement of security in respect of the Cash Reserves, to the Noteholders of each Tranche an amount determined in accordance with the Pro Rata Tranche Allocation of that Tranche unpaid after the application of the proceeds of the Tranche Specific Security.
- (c) For the purposes of paragraphs (a) and (b)(v) above, a "**Pro Rata Tranche Allocation**" means, in relation to each Tranche of Notes, a ratio, expressed as a percentage and determined as follows:

**A/B**

where:

"**A**" is the principal amount outstanding of the relevant Tranche of Notes;  
and

"**B**" is the principal amount outstanding of all Tranches of Notes,

each at the time the Pro Rata Tranche Allocation is determined.

The Pro Rata Tranche Allocation concept is designed to allocate Programme-wide costs to each Tranche on a pro rata basis, dependant on the principal amount outstanding thereof and to enable the proceeds of enforcing the Programme Wide Security to be applied between Tranches on a similar pro rata basis.

### **3. INTEREST**

#### **3.1 Interest Payment Obligation**

- (a) The Issue will issue either:
- (i) Notes with a fixed interest rate ("**Fixed Rate Notes**"); or

- (ii) Notes with a floating interest rate ("**Floating Rate Notes**").
- (b) The terms on which the Issuer will pay interest in respect of any Tranche of Notes will be specified in the Final Terms. The Final Terms will, in all cases, specify:
  - (i) the Rate of Interest (defined below) applicable to the relevant Tranche;
  - (ii) the Note Payment Dates and Interest Period (each defined below) applicable to the relevant Tranche;
  - (iii) the Day Count Fraction (defined below); and
  - (iv) the methodology for calculating the Interest Amount (defined below).
- (c) For so long as the Notes are cleared through the X/N System payment of interest shall be made in accordance with its regulations.
- (d) The Final Terms in relation to any Tranche may specify other provisions relevant to the payment of interest in respect of that Tranche, including any Early Redemption Premium (as indicated below).

### 3.2 **Interest Payment Dates**

- (a) Each Fixed Rate Note and Floating Rate Note will bear interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Note Payment Date. The amount of interest payable shall be determined in accordance with Condition 3.11 (Definitions).
- (b) Such Note Payment Dates are either expressly indicated in the Final Terms ("**Specified Note Payment Dates**") or as determined in accordance with the Final Terms. In the event that the Scheduled Maturity Date of any Note is extended as contemplated in **Condition 4.1(c) (Redemption at Maturity)** the Specified Note Payment Dates may be different from those that are otherwise applicable, as expressly indicated in the Final Terms or as determined in accordance with the Final Terms.

### 3.3 **Business Day Convention**

- (a) If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a business day convention specified in the Final Terms ("**Business Day Convention**") would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:
  - (i) denoted as a "**Floating Rate Business Day Convention**", then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event
    - (x) such date shall be brought forward to the immediately preceding Business Day; and

- (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;
- (ii) denoted as a "**Following Business Day Convention**", then such date shall be postponed to the next day that is a Business Day;
- (iii) denoted as a "**Modified Following Business Day Convention**", then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or
- (iv) denoted as a "**Preceding Business Day Convention**", then such date shall be brought forward to the immediately preceding Business Day.

#### 3.4 **Rate of Interest for Floating Rate Notes**

- (a) The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to the Screen Rate Determination.
- (b) The Rate of Interest for each Interest Accrual Period will, except as provided below, be either:
  - (i) the offered quotation; or
  - (ii) the arithmetic mean of the offered quotations,
 

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent and Administrator to be appointed under the Administration and Calculation Agency Agreement (the "**Calculation Agent and Administrator**"). If five or more of such offered quotations are available on the Relevant Screen Page, then the highest (or, if there is more than one such highest quotation, only one of such quotations) and the lowest (or, if there is more than one such lowest quotation, only one of such quotations) shall be disregarded by the Calculation Agent and Administrator for the purpose of determining the arithmetic mean of such offered quotations.
- (c) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.
- (d) If the Relevant Screen Page is not available or if, sub-paragraph (b)(i) applies and no such offered quotation appears on the Relevant Screen Page or if subparagraph (b)(ii) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, then except as provided below, the Calculation Agent and Administrator shall



request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent and Administrator with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent and Administrator with such offered quotations, then the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent and Administrator.

- (e) If paragraph (c) above applies and the Calculation Agent and Administrator determines that fewer than two Reference Banks are providing offered quotations, except as provided below, the Rate of Interest shall be:
- (i) the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent and Administrator by the Reference Banks or any two or more of them, at which such banks were offered, (at approximately 11.00 a.m. (London time) if the Reference Rate is LIBOR or, at approximately 11.00 a.m. (Brussels time) if the Reference Rate is EURIBOR, on the relevant Interest Determination Date), deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), or, if fewer than two of the Reference Banks provide the Calculation Agent and Administrator with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate; or
  - (ii) the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, (if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date) any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent and Administrator it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be,
  - (iii) if the Rate of Interest cannot be determined in accordance with paragraph (ii), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting any margin or maximum or minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of any margin or maximum or minimum Rate of Interest relating to that last preceding Interest Accrual Period).

### 3.5 **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this **Condition 3 (Interest)** to the Relevant Date (as defined in Condition 11.1).

### 3.6 **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding**

(a) If any margin is specified in the Final Terms (either (i) generally, or (ii) in relation to one or more Interest Accrual Periods), an adjustment shall be made,

(i) in the case of (i) to all Rates of Interest, or

(ii) in the case of (ii) the Rates of Interest for the specified Interest Accrual Periods,

calculated in accordance with Condition 3.4 (Rate of Interest for Floating Rate Notes) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such margin, subject always to the next paragraph.

(b) If any maximum or minimum Rate of Interest or redemption amount is specified hereon, then any Rate of Interest or redemption amount shall be subject to such maximum or minimum, as the case may be.

(c) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified hereon),

(i) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up),

(ii) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up), and

(iii) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up). For these purposes, "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(d) In relation to any Notes, either Fixed Rate Notes or Floating Rate Notes, the reference rate and interest accrual periods applicable thereto shall at all times be the same as the reference rate and interest accrual periods applicable to the Related Loan and such reference rate and interest accrual period shall be reflected in the Final Terms.

### 3.7 Calculation

- (a) The amount of interest payable per calculation amount specified in the Final Terms (the "**Calculation Amount**") in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified therein, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula).
- (b) Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods.
- (c) In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (d) Where any Note Payment Date or Interest Period Date is subject to adjustment pursuant to **Condition 3.3 (Business Day Convention)**, the Interest Amounts and the Note Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.
- (e) If the Notes become due and payable under **Condition 5 (Events of Default)**, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made.
- (f) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent and Administrator(s) shall (in the absence of manifest error) be final and binding upon all parties.

### 3.8 Notification of Rate of Interest and Interest Amounts

- (a) The Calculation Agent and Administrator will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Note Payment Date to be notified to the Issuer, Trustee and any stock exchange or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be given in accordance with the Conditions as soon as possible after their determination but in no event later than the fourth Business Day thereafter.
- (b) Each Interest Amount and Note Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest

Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders.

### 3.9 Determination or Calculation by Trustee

If for any reason the Calculation Agent and Administrator at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount, as the case may be, above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion, it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent and Administrator.

### 3.10 Certificates to be Final

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

### 3.11 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or
- (iii) in the case of a currency and/or one or more business centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the business centre(s) or, if no currency is indicated, generally in each of the business centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the "**Calculation Period**"):

- (i) if "**Actual/Actual**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation

Period falls in a leap year, the sum of (x) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (y) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (ii) if "**Actual/365 (Fixed)**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if "**Actual/360**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

"M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

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

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

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

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

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

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

- (vi) if "**Actual/Actual-ICMA**" is specified in the Final Terms:
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (b) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Note Payment Date(s); and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Euro-zone**" means the region comprising Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

- (a) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Note Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (b) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**"Interest Commencement Date"** means the Issue Date or such other date as may be specified hereon.

**"Interest Determination Date"** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling; or (ii) the day falling two Business Days in London for the Relevant Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro; or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Note Payment Date and each successive period beginning on (and including) an Note Payment Date and ending on (but excluding) the next succeeding Note Payment Date.

**"Interest Period Date"** means each Note Payment Date unless otherwise specified in the Final Terms.

**"Rate of Interest"** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions herein or in the Final Terms.

**"Reference Banks"** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in each case selected by the Calculation Agent and Administrator or as specified herein or in the Final Terms.

**"Reference Rate"** means the rate specified as such in the Final Terms.

**"Relevant Screen Page"** means such page, section, caption, column or other part of a particular information service as may be specified in the Final Terms.

**"Specified Currency"** means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

**"TARGET System"** means the Trans-European Automated Real-Time Gross-Settlement Express Transfer (known as TARGET2) System which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto.

## 4. PRINCIPAL

### 4.1 Redemption at Maturity

- (a) Unless previously redeemed or purchased and cancelled, as specified below or in the relevant Final Terms, each Note shall be redeemed in full by the Issuer on the date designated the "**Scheduled Maturity Date**" in the relevant Final Terms. The amounts redeemed are referred to as "**Final Redemption Funds**".
- (b) All Final Redemption Funds shall be applied except in case of the occurrence of an Issuer Event of Default, as follows:
  - (i) **first**, to pay all amounts due to the Trustee in respect of the services provided by it in relation to the relevant Tranche;
  - (ii) **second**, to pay all amounts due to the Issuer Manager, the Account Bank and Cash Manager, the Principal Paying Agent, the Calculation Agent and Administrator and the Corporate Services Provider on a pro rata and pari passu basis in respect of the services provided by or in relation to that Tranche;
  - (iii) **third**, to pay or repay, as the case may be:
    - (A) **first**, all interest then due in respect of the relevant Tranche;
    - (B) **second**, all other amounts (other than principal) due in respect of the relevant Tranche, including any payment to constitute the Cash Reserve; and
    - (C) **third**, all amounts of principal due in respect of the relevant Tranche,
  - (iv) **fourth**, to the extent that any additional funds remain within that Tranche Account following the application of funds as contemplated above, to transfer the same to the Reserve Account.
- (c) The Scheduled Maturity Date of any Tranche may be extended at the election of the Issuer, only if the Issuer (acting through a decision of the Board of Directors) determines, at any time up to the Scheduled Maturity Date, that the applicable Borrower shall not repay the Related Loan on the Scheduled Maturity Date in accordance with its terms. Such extension shall be for a period of no more than one calendar year from the original Scheduled Maturity Date (the "**Extended Maturity Date**").
- (d) In the event the Issuer elects to extend the Scheduled Maturity Date it shall notify the Trustee, the Issuer Manager and the Principal Paying Agent immediately (and no later than the fifth Business Day prior to the Scheduled Maturity Date) and any such extension shall be binding on the Noteholders of the relevant Tranche. Any failure by the Issuer to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.



- (e) Notwithstanding any election by the Issuer under **Condition 4.1(c)**, if the applicable Borrower makes a repayment in respect of the Related Loans after the Scheduled Maturity Date but before the Extended Maturity Date, the Issuer may redeem the Note on a date prior to the Extended Maturity Date. No Early Redemption Premium (as defined in **Condition 4.3(c)** below) shall be applicable in the event of redemption on such earlier date.
- (f) For the avoidance of doubt, failure to pay in full by the Issuer on the Scheduled Maturity Date shall not constitute an Issuer Event of Default if the Issuer has elected to extend the Scheduled Maturity Date to the Extended Maturity Date. However, failure to pay in full by the Issuer on the Extended Maturity Date shall constitute an Issuer Event of Default.
- (g) For the further avoidance of doubt, any extension of the Scheduled Maturity Date for one Tranche of Notes shall not automatically result in an extension of the Scheduled Maturity Date for any other Tranche of Notes.

#### 4.2 **Scheduled Repayment – Related Loan**

- (a) In the event that any Related Loan is repaid in part prior to the Scheduled Maturity Date (or the Extended Maturity Date, if applicable) in accordance with an agreed repayment schedule, the amount so repaid (the "**Loan Amortisation Funds**") shall be applied on the next following Business Day (or the next following Note Payment Date, if such application on the next following Business Day is not possible because of rules relating to the operation of the clearing system) to bring about a redemption, in part, of the Notes issued to fund such Related Loan.
- (b) All Loan Amortisation Funds shall be applied:
  - (i) except in the case of the occurrence of an Issuer Event of Default, in accordance with **Clause 4 of the Account Bank and Cash Management Agreement (Application of Funds)**, as described above;
  - (ii) following the occurrence of an Issuer Event of Default, in accordance with **Condition 2.3 (Priority of Payments Post Default)**.

#### 4.3 **Early Repayment – Related Loan**

- (a) In the event that any Related Loan is prepaid in whole or in part prior to its final maturity including following the occurrence of any default in accordance with its terms, the amount so prepaid ("**Loan Prepayment Funds**") shall be applied on the next following Business Day (or the next following Note Payment Date, if such application on the next following Business Day is not possible because of rules relating to the operation of the clearing system) to bring about a redemption, in whole or in part, of the Notes issued to fund such Related Loan.
- (b) All Loan Prepayment Funds shall be applied:
  - (i) except in the case of the occurrence of an Issuer Event of Default, in accordance with **Clause 4 of the Account Bank and Cash Management Agreement (Application of Funds)**, as described above;

- (ii) following the occurrence of an Issuer Event of Default, in accordance with **Condition 2.3 (Priority of Payments Post Default)**.
- (c) **Early Redemption Premium**
- (i) In the event of redemption of the Notes under this **Condition 4.3 (Early Repayment – Related Loan)** the Issuer shall, to the extent it has committed to do so under the applicable Final Terms, pay an amount to compensate Noteholders for such early redemption (the "**Early Redemption Premium**").
  - (ii) The Early Redemption Premium shall be specified in the applicable Final Terms but shall never exceed the amount that the Issuer is entitled to recover from the Borrower in relation to such prepayment of the relevant Loan.
  - (iii) For the avoidance of doubt, the Early Redemption Premium shall not be payable on any redemption of the Notes save as specified in paragraph (i) above.
  - (iv) For the further avoidance of doubt, no Early Redemption Premium shall be payable in relation to any other redemption of any of the Notes.
  - (v) All redemption of Notes based on the provisions set out above will occur on the relevant Note Payment Date specified in the relevant Final Terms.
- (d) In the event that any Loan is repaid or prepaid in whole or in part prior to its final maturity, and the funds from such repayment or prepayment are held in the relevant Tranche Account to be applied on the next following Note Payment Date, then interest on the Related Notes shall accrue at the following two rates:
- (i) in relation to the amount of Related Notes equal to the amount of the loan repayment or prepayment, at the rate of interest earned on the Tranche Account; and
  - (ii) in relation to the balance of the amount of the Related Notes, at the rate otherwise applicable to such Related Notes.

#### 4.4 **Redemption for Tax Reasons**

- (a) If:
  - (i) by virtue of any change in law from that in effect on an Issuance Date, the Issuer or the Principal Paying Agent on its behalf would be required to deduct or withhold any amount for or on account of any payment of future taxes in relation to any payment made in respect of the Notes; or
  - (ii) by virtue of any change in law from that in effect on an Issuance Date, a Borrower would be required to deduct or withhold any amount for or on account of any payment of future taxes in respect of the Related Loan,

the Issuer may in its sole discretion redeem the relevant Notes, in whole (in the case of sub paragraph (i)) or in whole or part (in the case of sub-paragraph (ii)) together with all other amounts payable in respect of the relevant Notes on the next Note Payment Date.

- (b) Any redemption of the Notes under this **Condition 4.4 (Redemption for Tax Reasons)** shall require the Issuer to provide the Trustee, the Principal Paying Agent and the Account Bank and Cash Manager with no more than 60 days and no less than 30 days notice of such redemption.
- (c) In the event that a redemption for the reasons described in this **Condition 4.4 (Redemption for Tax Reasons)** occurs, the Issuer must demonstrate to the Trustee that it has, or on the intended date of redemption will have, sufficient funds available to it to bring about such redemption.

#### 4.5 **Redemption for Increased Costs or Regulatory Obligations**

- (a) If:
  - (i) by virtue of any change in law from that in effect on an Issuance Date, the Issuer would be required to incur any costs in connection with making the Related Loans that it would not have incurred but for that change in law; or
  - (ii) by virtue of any change in law from that in effect on an Issuance Date, the Issuer would suffer a reduction in the rate of return it earned by making the Related Loans; or
  - (iii) by virtue of any change in law from that in effect on an Issuance Date, the Issuer is subject to any regulatory or compliance obligations in relation to its operations that did not exist at that Issuance Date

the Issuer may, in its sole discretion, redeem the relevant Notes in whole or in part together with all other amounts payable in respect of the relevant Notes on the next Note Payment Date.

- (b) Any redemption of the Notes under this **Condition 4.5 (Redemption for Increased Costs or Regulatory Obligations)** shall require the Issuer to provide the Trustee, the Principal Paying Agent and the Account Bank and Cash Manager with no more than 60 days and no less than 30 days notice of such redemption.
- (c) In the event that a redemption for the reasons described in this **Condition 4.5 (Redemption for Increased Costs or Regulatory Obligations)** occurs, the Issuer must demonstrate to the Trustee that it has, or on the intended date of redemption will have, sufficient funds available to it to bring about such redemption.

## 5. EVENTS OF DEFAULT

### 5.1 Categories of Events of Default

Each Tranche is subject to two categories of events of default (any or all of them being referred to as an "**Issuer Event of Default**"):

- (a) "**Tranche-Specific Events of Default**" which, as described below, relates to specific Tranches; and
- (b) "**Programme-Wide Events of Default**" which as described below, relate to all Tranches.

### 5.2 Tranche-Specific Events of Default

- (a) The following are Tranche-Specific Events of Default:
  - (i) if the Issuer defaults in paying interest of any Tranche when due and such default is not remedied within a period of three days from the date such payment was due;
  - (ii) if the Issuer defaults in paying principal on any Tranche when due and such default is not remedied within a period of five days from the date such payment was due; and
  - (iii) if the Issuer fails to perform any obligation binding on it under the term of any of the Transaction Documents and such failure, if capable of remedy, is not remedied within 14 days of the date on which payment was due.
- (b) The Trustee shall determine whether a Tranche-Specific Event of Default has occurred. Any Noteholder of the relevant Tranche may inform the Trustee if it is aware of facts or circumstances which may indicate that a Tranche-Specific Event of Default has occurred.
- (c) For the avoidance of doubt, the occurrence of a Tranche-Specific Event of Default in respect of one Tranche of Notes does not, in and of itself, indicate or result in the occurrence of a Tranche-Specific Event of Default in respect of any other Tranche of Notes.

### 5.3 Programme-wide Events of Default

- (a) The following are Programme-wide Events of Default:
  - (i) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction, ceases or, consequent upon a resolution of the Board of Director, threatens to cease to carry on business or a substantial part of its business or the Issuer is or is deemed unable to pay its debts as and when they fall due; or
  - (ii) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an

amalgamation or reconstruction the terms of which has previously been approved by the Trustee in writing; or

- (iii) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, examinership, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order or the appointment of an examiner, the filing of documents with the court for the appointment of an administrator or the service of a notice to appoint an administrator) and such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, examiner or other similar official shall be appointed (or formal notice is given of an intention of appoint an administrator) in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer shall take possession of all or any part of the undertaking, property or assets of the Issuer, or a distress or execution or other process shall be levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such appointment, possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer (or the shareholders of the Issuer) initiates or consents to judicial proceedings relating to itself under the applicable liquidation, insolvency, examinership, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of or a composition or similar arrangement with its creditors generally or takes steps with a view to obtaining a moratorium in respect of any of the indebtedness of the Issuer,

- (b) The Trustee shall determine whether a Programme-wide Event of Default has occurred. Any Noteholder may inform the Trustee if it is aware of facts or circumstances which may indicate that a Programme-wide Event of Default has occurred.

## **6. ENFORCEMENT**

### **6.1 Tranche-Specific Event of Default**

- (a) In the event that a Tranche-Specific Event of Default occurs the Trustee may, in its discretion and without notice, take any action to enforce the relevant Notes, the relevant Tranche-Specific Pledge Agreement and any other Transaction Documents against the Issuer.
- (b) The Trustee shall not be bound to take any action of the type contemplated in paragraph (a) above unless it has been directed to do so by an appropriate resolution of the Noteholders of the Tranche affected by such Tranche-Specific Event of Default.

## 6.2 Enforcement – Programme-wide Event of Default

- (a) In the event that a Programme-wide Event of Default occurs the Trustee may, in its discretion and without notice, take any action to enforce any or all of the Notes, any or all of the Transaction Specific Pledge Agreements, the Programme-wide Pledge Agreement, and the other Transaction Documents against the Issuer.
- (b) The Trustee shall not be bound to take any action of the type contemplated in paragraph (a) above unless it has been directed to do so by an appropriate resolution of the Noteholders of each Tranche then outstanding.

## 7. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND WAIVERS

- (a) Meetings of Noteholders of one or more Tranches may be convened when the matters to be resolved relate to relevant Tranche or Tranches, as the case may be.
- (b) All meetings of Noteholders will be held in accordance with the provisions of Articles 568 *et. seq* of the Belgian Company Code.
- (c) The meetings of Noteholders of each Tranche shall be entitled, upon proposal of the Board of Directors, to exercise the powers set out in Article 568 of the Belgian Company Code, which includes the right to grant an extension of one or more instalments of interests or principal of the Notes, to agree to change the interest rate or to amend the terms and conditions of the interest or principal payments, to accept, amend or waive security interests granted in respect of the Notes, to accept the conversion of the Notes into shares, and to take decisions in respect of conservatory measures for the common interest of the Noteholders or in respect of the appointment of attorneys of the Noteholders.
- (d) The meetings of Noteholders shall also be entitled, upon proposal of the Board of Directors, to modify or waive any provision of these Conditions, the Final Terms or the Trust Deed insofar as such provisions relate to the Noteholders.
- (e) The Board of Directors and the auditors may call a meeting of Noteholders of any Tranche. The Trustee must call a meeting of Noteholders of any Tranche at the request of Noteholders of that Tranche representing one fifth of the total amount of the Notes of that Tranche so require.
- (f) Notwithstanding Condition 8 below, convening notices to the meeting of Noteholders shall be made in accordance with Article 570 of the Belgian Company Code, which currently requires an announcement to be published not less than fifteen days prior to the meeting in the Belgian Official Gazette (*Moniteur Belge/Belgisch Staatsblad*) and in a newspaper of national distribution in Belgium. Convening notices shall also be made in accordance with Condition 8.
- (g) The meeting of Noteholders may duly deliberate only if its members, present or represented, hold at least half of the amount of outstanding Notes. If this condition is not met, a further invitation is required and the second meeting of

Noteholders meeting may also not deliberate unless the same quorum requirement of at least half of the amount of outstanding Notes is met. Subject to the validation by the court of appeal if required under article 574 of the Belgian Company Code, decisions of the general meeting of Noteholders shall be duly adopted by a 75% majority of the outstanding amount of the Notes which took part in the vote (an “**Extraordinary Resolution**”). However, in cases where decisions are taken in respect of any conservatory measures for the common interest of the Noteholders or for the appointment of attorneys of Noteholders, as set out in Article 568, second indent of the Belgian Company Code, no attendance quorum is required and such decisions shall be duly adopted with a simple majority of outstanding amount of the Notes which took part in the vote.

- (h) When the resolutions relate to different Tranches of Notes and when such resolutions have a different impact on each Tranche, the meeting quorums and decision thresholds referred to above shall have to be met for each Tranche separately in accordance with Condition 7(b).
- (i) If permitted by the Issuer, a written resolution validly executed by or on behalf of the holders of Notes representing not less than 75% of the outstanding amount of the Notes, whose holders are at such time entitled to receive notice of a meeting of Noteholders under the Trust Deed, will take effect as if it were a resolution taken in general meeting. Such a written resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.
- (j) Decisions duly adopted by the general meeting of Noteholders are binding upon all Noteholders, whether or not present or represented at the general meeting of Noteholders. Decisions duly adopted by the general meeting of Noteholders are only binding upon the Issuer if the Issuer has approved such decisions.
- (k) The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Final Terms or the Trust Deed if, in the opinion of the Trustee, such modification will not materially prejudice the interest of the Noteholders, and to any modification of these Conditions, the Final Terms or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed, if in the opinion of the Trustee, the interest of the Noteholders will not be materially prejudiced thereby. Unless the Trustee agrees otherwise, such modification shall be notified the Noteholders as soon as practicable thereafter.

## **8. NOTICE TO NOTEHOLDERS**

- 8.1 All notices, other than notices given in accordance with the next paragraph, to Noteholders shall be deemed to have been duly given if a notice in English is published in a leading daily newspaper with general circulation in Belgium. If any such publication is not practicable, publication may be in another leading newspaper printed in the relevant language having general circulation in Europe or Belgium, as the case may be, previously approved in writing by the Trustee. Notices of meetings of

Noteholders shall in addition be published in the Belgian State Gazette (*Belgisch Staatsblad / Moniteur Belge*). Any such notice shall be deemed to have been given on the first date on which publication is made in the manner required in one of the newspapers referred to above. Notices of meetings of Noteholders shall be published twice, with an interval of eight (8) calendar days between each publication, the second publication being at least three (3) calendar days before the date of the meeting, but the Trustee shall not be responsible for any failure to comply with such publication requirements if nevertheless any meeting of Noteholders is duly convened and held in accordance with the Company Code. Notices to the Noteholders of the availability of the reports and of meetings of Noteholders will also be given by delivery of the relevant notice to that X/N System for communication by it to the relevant account holders. No notifications in any such form will be required for convening meetings of Noteholders if all Noteholders have been identified and have been given an appropriate notice by registered mail.

- 8.2 Notices specifying a Payment Date, an Interest Rate, an Interest Amount, a payment of principal (or absence thereof), a Principal Amount Outstanding or a Notice Factor or relating generally to payment dates, payments of interest, repayments of principal and other relevant information with respect to the Notes shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of Bloomberg or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Noteholders (the "**Relevant Screen**") at least two Business Days before a Note Payment Date. Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen or if it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Condition shall be given in accordance with the preceding paragraph. Such notices may also be distributed by the Principal Paying Agent and Issuer Manager or the Trustee to the extent the Noteholders have been identified.

## **9. NO ACTION AND LIMITED RECOURSE**

### **9.1 No Action By Individual Noteholders**

Without prejudice to Condition 7 above:

- (a) No Noteholder shall be entitled to take any action against the Issuer, the Board of Directors or any other Transaction Party unless the Trustee, having become bound to take such action on behalf of Noteholders, fails to do so within a reasonable period of time.
- (b) Any action against the Issuer, the Board of Directors or any Transaction Party by any Noteholders shall require the relevant Noteholders to pass an Extraordinary Resolution supporting such action. In the event:
  - (i) that such action is supported by Noteholders of one Tranche of Notes, the Extraordinary Resolution must be passed by the Noteholders of that Tranche only; and



- (ii) that such action is supported by the Noteholders of more than one Tranche of Notes, the Extraordinary Resolution must be passed by the Noteholders of each relevant Tranche.
- (c) No action may be taken by the Noteholders of one Tranche of Notes which has an adverse impact on the Noteholders of any other Tranche without a resolution, duly passed, by the holders of the later Tranche, in support of such action. In determining whether a resolution by the Noteholders of one Tranche has an adverse impact on the holders of another Tranche, the determination of the Trustee shall be final.
- (d)
  - (i) The obligation of the Issuer to pay interest on and repay the principal amount of any Tranche of Notes will, prior to the enforcement of the Issuer Security Arrangements, be limited by the payments of interest and repayments of principal received by the Issuer in respect of the Related Loans.
  - (ii) Without prejudice to the ability to enforce the Issuer Security Arrangements (as defined below), in the event that the Borrower or, if applicable, Guarantor (each as defined below) of a Loan (as defined below) does not pay any interest, principal or other amount due from it in respect of that Loan (in each case, an "**Unpaid Sum**") and the Issuer determines, in its sole discretion, that the Unpaid Sum shall not subsequently be recovered, after giving effect to any Extended Maturity Period that may be applicable (an "**Unpaid Sum Determination**"), the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished by an amount equal to the Unpaid Sum and the Noteholders of the Related Notes shall have no further entitlement to receive such amounts. The Issuer shall make the Unpaid Sum Determination in its sole discretion and such determination shall be binding, for all purposes, on the relevant Noteholders.
  - (iii) In the event that the Issuer Security Arrangements are enforced, the Issuer will apply the proceeds of such enforcement in accordance with the applicable Priority of Payments. In the event that the proceeds of such enforcement are insufficient, after the enforcement process has been completed, to make all necessary payments in respect of the Related Notes, the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished and the Noteholders of the Related Notes shall not be entitled to receive any further payments from the Issuer in respect of the them. The Issuer shall determine, in its sole discretion, whether the process of enforcing the Issuer Security Arrangements has been completed and such determination shall be binding for all purposes on the Noteholders and other Transaction Participants.

## 10. TAXATION

- 10.1 All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Kingdom of Belgium or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
- 10.2 In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders 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 with respect to any Note:
- (a) to, or to a third party on behalf of, a holder who is (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the competent tax authority; or (ii) liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Kingdom of Belgium other than the mere holding of the Note; or
  - (b) to a holder who, at the time of issue of the Notes, was not an Eligible Holder (as defined in Condition 1.4(b) above) on the collection and indemnification of withholding tax or to a holder who was an Eligible Holder at the time of issue of the Notes but, for reasons within the holder's control, ceased to be an Eligible Holder or, at any relevant time on or after the issue of the Notes, otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the law of 6 August 1993 relating to certain securities; or
  - (c) where such withholding or deduction is imposed on a payment to an individual or "**residual entities**" within the meaning of European Council Directive 2003/48/EC and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

## 11. PRESCRIPTION

- 11.1 The Notes will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the date ("**Relevant Date**") on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 8.
- 11.2 The Issuer shall be discharged from its obligation to pay principal on a Note to the extent that the relevant certificate has not been surrendered to the Principal Paying Agent by, or a cheque which has been duly despatched remains uncashed at, the end of the period of ten years from the Relevant Date for such payment.

11.3 The Issuer shall be discharged from its obligation to pay interest on a Note to the extent that a cheque which has been duly dispatched remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

## **12. GOVERNING LAW AND JURISDICTION**

12.1 These terms and Conditions are governed by the law of England and Wales, except Conditions 1.1, 7 and 8, which are governed by Belgian law.

12.2 The courts of England shall have non-exclusive jurisdiction to settle any dispute arising out or in connection with the Notes.

## CERTAIN MATTERS OF BELGIAN LAW

*This section summarises certain Belgian law aspects and practices in force at the date of this Base Prospectus that impact on the Programme. It does not purport to be a complete analysis and should not, therefore, be treated as a substitute for comprehensive professional, legal and tax advice on the relevant matters.*

### Corporate Matters

The Issuer is a limited liability company, incorporated under Belgian law. It takes the form of a *naamloze vennootschap/société anonyme*. Its constitutional documents, give it the capacity, power and authority to enter into and perform its obligations in respect of the Programme.

### Enforceability of Belgian law governed Transaction Documents

Each of the Transaction Documents, other than the Trust Deed, are governed by Belgian law. Each of these Transaction Documents is of a type that would be enforced by a Belgian court.

### Security Interests

The Tranche-Specific Security Interests and the Programme-Wide Security Interests granted by the Issuer are effective under Belgian law, though their enforcement may be impacted by the Issuer becoming subject to an insolvency proceeding.

### Insolvency

The Issuer may, in principle and notwithstanding the structural protections described elsewhere in the Base Prospectus, become subject to bankruptcy proceedings in Belgium. The following is a generalised description of the legal consequences of bankruptcy of the Issuer:

- (a) for a Belgian court to make an order of bankruptcy (*faillietverklaring/déclaration de faillite*) in respect of a company, that company must be in a situation where it has suffered a "**cessation of payments**" (*staking van betaling/cessation de paiements*). A cessation of payments is generally taken to mean that the company is not able to pay its main debts and that this situation is permanent, not merely temporary;
- (b) any payment made or transaction entered into by a company which has suffered from a cessation of payments may be declared ineffective and unenforceable if the recipient of the payment is aware of the cessation of payments;
- (c) the onset of bankruptcy may result in a moratorium being imposed on creditors' rights:
  - (i) the rights of any creditor who has security over moveable assets of the debtor may be suspended for a period of not more than one year from the date of the bankruptcy by order of the court. The Issuer could, in principle, be subject to such a suspension. This suspension will not apply, however, to security interests granted prior to the commencement of the bankruptcy proceedings, which is the case in respect of the Issuer; and
  - (ii) it is possible for a debtor to seek an order of judicial reorganisation (*gerechtelijke reorganisatie/reorganisation judiciaire*). If a debtor is successful in obtaining such an order, no enforcement action can be taken against any moveable or immovable property of the debtor until the court has given its ruling on the request. The Issuer could, in principle, be subject to this process;

- (iii) if the court approves a request for judicial reorganisation by a debtor, certain consequences follow. The first is that creditors cannot take any enforcement action against either moveable or immovable property of the debtor, provided that for so long as such disabilities applies, creditors continue to get paid amounts due to them. The second is that any contractual provision which purports to be terminated because of the filing for or obtaining of an order of judicial reorganisation shall be rendered ineffective. In principle, the Issuer may be subject to a requirement for judicial reorganisation which is granted, resulting in the restrictions on enforcing security interest.
- (d) The Issuer does not require any licences or authorisations to enter into the Programme. Further, given their regulatory status in the UK, the Issuer Manager will not require any authorisation or licences in Belgium.
- (e) The Borrower of the type that the Issuer will make Loans to are not generally prohibited from borrowing funds. However, such entities are generally subject to the requirement to follow a public procurement process which is designed to be objective and transparent.

## **CERTAIN MATTERS OF BELGIAN TAXATION**

*This section summarises certain Belgian tax aspects and practices in force at the date of this Base Prospectus that impact on the Programme. It does purport to be a complete analysis and should not, therefore, be treated as a substitute for comprehensive professional, legal and tax advice on the relevant matters.*

### **General Obligation in respect of Belgian Taxation**

The Issuer will be subject to the Belgian general corporate income tax regime.

### **Absence of Withholding Taxation Loans**

All payments by the Borrowers to the Issuer in respect of a Loan may be made without withholding or deduction for on account of any taxes, duties, assessments or charges of whatever nature imposed or levied by or on behalf of Belgium or any political subdivision thereof.

### **Absence of Withholding Tax on Guarantee Payments**

All payments by the Guarantor to the Issuer in respect of any Loan should not trigger any Belgian withholding tax on interest, insofar as these payments do not constitute interest income from the Loan; even if the payments made by the Guarantor under the Loan would be characterized as interest income from a loan or debt receivable, the interest payments will benefit from an exemption of Belgian withholding tax pursuant to Article 107, § 2, 9° of the Royal Decree implementing the 1992 Income Tax Code, which provides that interest payments to Belgian companies are exempt from Belgian withholding tax on interest.

### **Absence of Withholding Tax on Notes**

All payments by the Issuer (through the domiciliary agent) and the NBB (as operator of the X/N System) in respect of any Notes held by an Eligible Holder holding the Notes through an X-Account) with the X/N System, as defined and organised in the applicable regulations of the X/N System, may be made without withholding or deduction for on account of any taxes, duties, assessments or charges of whatever nature imposed or levied by or on behalf of Belgium or any political subdivision thereof or therein.

### **VAT**

Services rendered to the Issuer in connection with the Programme by the Transaction Participants that are considered to be located in Belgium, will be subject to VAT at the current rate of 21%, except for services of a financial nature within the meaning of Article 44, § 3 of the Belgian VAT Code which are exempt from VAT. No VAT will be chargeable in respect of the issuance of the Notes or the making of the Loans.

### **No Stamp Duty**

No proportional stamp or registration duty or other similar tax or levy will be due in Belgium in connection with the execution of the Notes and the execution of any of the documents entered into in connection with the Programme.

## STABILISATION

In connection with the issue and offering of any Tranche of Notes, the Dealer or Dealers (if any) named as the "**Stabilising Managers**" in the applicable Final Terms (or persons acting on behalf of any Stabilising Managers) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action in respect of the relevant Tranche of Notes. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Notes and 60 days after the date of the allotment of the relevant Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Managers (or persons acting on behalf of any Stabilising Managers) in accordance with the applicable guidelines of The International Capital Markets Association. Neither ING Belgium nor ING Bank N.V. Belgian Branch are entitled to act as Stabilising Manager because of regulatory considerations.

## LIMITED RECOURSE NATURE OF THE PROGRAMME

Without prejudice to the ability to enforce the Issuer Security Arrangements in the event that the Borrower or, if applicable, Guarantor (as defined below) of a Loan (as defined below) does not pay any interest, principal or other amount due from it in respect of that Loan (in each case, an "**Unpaid Sum**") and the Issuer determines, in its sole discretion, that the Unpaid Sum shall not subsequently be recovered, after giving effect to any Extended Maturity Date (as defined below) that may be applicable (an "**Unpaid Sum Determination**"), the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished by an amount equal to the Unpaid Sum and the Noteholders of the Related Notes shall have no further entitlement to receive such amounts. The Issuer shall make the Unpaid Sum Determination in its sole discretion and such determination shall be binding, for all purposes, on the relevant Noteholders.

In the event that the Issuer Security Arrangements are enforced, the Issuer will apply the proceeds of such enforcement in accordance with the applicable Priority of Payments. In the event that the proceeds of such enforcement are insufficient, after the enforcement process has been completed, to make all necessary payments in respect of the Related Notes and under the Transaction Documents, the obligation of the Issuer to pay interest on and repay the principal of the Related Notes shall be extinguished and the Noteholders of the Related Notes shall not be entitled to receive any further payments from the Issuer. The Issuer shall determine, in its sole discretion, whether the process of enforcing the Issuer Security Arrangements has been completed and such determination shall be binding, for all purposes, on the relevant Noteholders.



## FORM OF FINAL TERMS

### FORM OF FINAL TERMS OF THE NOTES

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes.*

#### PUBLINVEST NV

*(a société anonyme/naamloze vennootschap incorporated in Belgium having its registered office at 97 rue Royale, 1000 Brussels)*

Issue of [●] Notes due [●] (the "Notes")  
(part of the [●] Series)  
Issued pursuant to the Programme

#### PART A

Terms used in these Final Terms shall, save to the extent specifically defined, have the meanings given to them in the terms and conditions of the Notes (the "**Terms and Conditions**") set forth in the Base Prospectus dated [●] 2013 [and the Supplemental Prospectus dated [●] (together, the "**Prospectus**") which together constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended from time to time (the "**Prospectus Directive**").<sup>29</sup>

This document constitutes the Final Terms applicable to the issue of Notes described herein and must be read in conjunction with the Base Prospectus. Full information about the Notes is only available on the basis of a combination of these Final Terms and the Base Prospectus.

Copies of these Final Terms and the Base Prospectus are available at the offices of the Issuer and the Issuer Manager (each as described below) and will also be available for viewing on the website of [NYSE Euronext Brussels NV] or [●].<sup>30</sup>

The Notes may only be held by Eligible Holders holding such Notes through an X-Account held within the X/N System or directly or indirectly through the holder of an X-Account.

Prospective investors should carefully consider the section of the Base Prospectus entitled "Risk Factors" [and similar sections in any Supplemental Prospectus].

*[When completing any final terms, or adding any other final terms or information, consideration should be given to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive. If this is the case, a Supplemental Prospectus will be required].*

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<sup>29</sup> The language used will need to be modified if a Supplemental Prospectus is required at any point, which should be considered in the event that there is new information that warrants disclosure, as indicated below.

<sup>30</sup> This information will be required if the Notes of any Tranche are listed on the exchange other than NYSE Euronext Brussels, provided that access using web-site is possible.

## General Description of the Notes.

1. (a) **Series:** [•]
- (b) **Tranche Number:** [•]
2. **Currency:** [•]  
*[The currency in which Notes are issued will always be the same as the currency of the Related Loan]*
3. **Nominal Amount:** [•]
4. **Issue Price:** [•]  
*[The issue price may be at par, or at a discount or premium to par]*
5. **Denominations and Minimum Hold Amount:** [€100,000] [Equivalent in other currency]
6. **Calculation Amount:** [•]
7. **Issue Date:** [•]
8. **Scheduled Maturity Date:** [•]
9. **Extended Maturity Date:** [•]  
*[The Scheduled Maturity Date may be extended by up to one year, only if the Issuer determines that the applicable Borrower shall not make repayment on the Related Loan, and the Issuer gives the necessary notices required under the Conditions]*
10. **Interest Basis:**
  - (a) **Interest basis up to Scheduled Maturity Date:** [Fixed Rate Notes]/[Floating Rate Notes]
  - (b) **Interest basis between Scheduled Maturity Date and Extended Maturity Date:** [Fixed Rate Notes]/[Floating Rate Notes]

**11. Redemption Basis:** [Bullet] / [Amortising]

*[The choice depends on the repayment profile of the Related Loan. If all the Related Loan are "bullet" loans, then the Redemption Basis will be the Bullet. If any of the Related Loan amortise, the Redemption Basis will be Amortising]*

**12. Redemption:** Subject to any early redemption or any extension as described below, the Notes will be redeemed in full on the Scheduled Maturity Date.

**Provisions Relating to Interest<sup>31</sup>**

**13. Fixed Rate Provisions:** [Applicable] / [Not Applicable]

*[if Not Applicable, the remaining sub-paragraphs should be deleted]*

(i) (a) **Interest Amount:** [●] per Calculation Amount

(b) **Interest Rate:** [●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / [●] in arrear] up to Scheduled Maturity Date.

[●] per cent. per annum (payable [annually / semi-annually / quarterly / monthly / [●] in arrear] from the Scheduled Maturity Date up to the Extended Maturity Date.

*[The Interest Rate for the Notes will reflect (but will be less than) the interest rate on the Related Loan]*

(ii) **Business Day Convention:** [Floating Rate Business Day Convention]

[Following Business Day Convention]

[Modified Following Business Day Convention]

[Preceding Business Day Convention]

(iii) **Additional Business Centres:** [●] / [Not Applicable]

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<sup>31</sup> The Notes issued under the Programme will either be fixed rate or floating rate. Accordingly, no other interest rate options are provided for.

- (iv) **Day Count Fraction:** [Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30/360]  
 [360/360]  
 [Bond Basis]  
 [Other]  
*[The Day Count Fraction for each Note must match that for the Related Loan]*
- (v) **Determination Date:** [•]
- (vi) (a) **Note Payment Dates up to Scheduled Maturity Date:** [•]  
 (b) **Note Payment Dates from Scheduled Maturity Date up to Extended Maturity Date:** [•]  
*[The Note Payment Date for each Note must match the interest payment date on the Related Loan]*
- (vii) (a) **Interest Periods up to Scheduled Maturity Date:** [annual] [semi annual] [quarterly] [monthly] [other]  
 (b) **Interest Periods from Scheduled Maturity Date to Extended Maturity Date:** [annual] [semi annual] [quarterly] [monthly] [other]  
*[The Interest Period for each Note must match the relevant period for the Related Loan]*
- (viii) **Party responsible for calculating Interest Amount:** [Calculation Agent and Administrator]
- 14. Floating Rate Provisions:** [Applicable] / [Not Applicable]  
*[If Not Applicable, the remaining sub-paragraphs should be deleted]*
- (i)

(a) **Manner in which the Rate of Interest and Interest Amounts are to be determined:**

(x) **Reference Rate:**

[Screen Rate Determination] / [●] up to the Scheduled Maturity Date and [Screen Rate Determination] / [●] between Scheduled Maturity Date and Extended Maturity Date.

*[The reference rate for the Notes should match the reference rate for the Related Loan including fall-back rates]*

(y) **Margin:**

[●] up to the Scheduled Maturity Date and [●] between Scheduled Maturity Date and Extended Maturity Date

*[The margin for the Notes will reflect (but will be less than) the Margin on the Related Loan]*

(ii) **Reference Rate Determination Dates:**

[●] up to the Scheduled Maturity Date and [●] between Scheduled Maturity Date and Extended Maturity Date

*[The reference rate determination date for the Notes should match the reference rate determination date for the Related Loan].*

(iii) **Business Day Convention:**

[Floating Rate Business Day Convention]

[Following Business Day Convention]

[Modified Following Business Day Convention]

[Preceding Business Day Convention]

- (iv) **Day Count Fraction:** [Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30/360]  
 [360/360]  
 [Bond Basis]  
 [Other]  
*[The Day Count Fraction for each Note must match that for the Related Loan]*
- (v) **Determination Date:** [•] / [Not Applicable]
- (vi) (a) **Note Payment Dates up to Scheduled Maturity Date:** [•]  
 (b) **Note Payment Date from Scheduled Maturity Date to Extended Maturity Date:** [•]  
*[The Note Payment Date for each Note must match the relevant payment date on the Related Loan]*
- (vii) (a) **Interest Periods up to Scheduled Maturity Date:** [•]  
 (b) **Interest Periods from Scheduled Maturity Date to Extended Maturity Date:** [•]  
*[The Interest Period for each Note must match the relevant period for the Related Loan]*
- (viii) **Party responsible for calculating Interest Amount:** [Calculation Agent and Administrator]
- (ix) **Other terms relating to the method of calculating interest applicable to Floating Rate Notes:** [•]
- 15. Deferral of Interest** [Applicable] / [Not Applicable]  
*[If Not Applicable, the remaining sub-paragraphs should be deleted]*

- (a) **Deferred Amounts** Interest on the Notes may be deferred if there are insufficient funds available for the payment of interest in full on any Note Payment Date.
- Amounts of interest so deferred shall be [paid on the next Note Payment Date] [capitalised on a [●] basis and added to the principal of the Note].
- (b) **Interest on Deferred Amounts** Amounts of interest so deferred will accrue interest only to the extent there are sufficient funds available from Loan repayments for the payment of such additional interest.

### Provisions Relating to Redemption

16. (a) **Redemption at Maturity:** Applicable. Such redemption shall take place on the Scheduled Maturity Date.
- (b) **Extension Option:** Applicable. In accordance with **Condition 4.1(c)** of the Terms and Conditions.
17. **Scheduled Repayment – Related Loan:** Subject to prepayment or repayment of the relevant amount being received from the Borrowers of the Related Loan, the Notes will be redeemed as indicated in Annex 1 hereto, in accordance with **Condition 4.2** of the Terms and Conditions:
- This profile may change because of early repayments of any of the Related Loan.
- [If applicable, this should set out the expected scheduled amortisation in respect of the Related Loan. This must be based on the amortisation profile of each of the Related Loans.]*
18. **Early Repayment – Related Loan:** Subject to payment of the relevant amounts being received from the Borrowers of the Related Loan, the Notes will be redeemed in accordance with **Condition 4.3** of the Terms and Conditions

- 19. Early Redemption Premium:** [Not Applicable] / [Applicable]
- Subject to payment thereof being received from the Borrowers of the Related Loan, an Early Redemption Premium in the following amounts will be paid:
- [•]
- [If Applicable, the Early Redemption Premium should match that provided in respect of the Related Loan. This may vary from Related Loan to Related Loan, and may be applicable in relation to certain Related Loan and not others. It will be necessary to set out the Early Redemption Premium calculation for the Related Loan, in the event that they are different]*
- 20. Redemption for Tax Reasons:** Applicable, subject to the requirement of **Condition 4.4** of the Terms and Conditions.
- 21. Redemption for Regulatory Reasons:** Applicable, subject to the requirements of **Condition 4.5** of the Terms and Conditions.

#### General Provisions

- 22. Form of Notes** Dematerialised form
- 23. Clearing System** X/N System
- 24. Common Code:** [•]
- 25. ISIN:** [•]



- 26. Rating:** The Notes to be issued have been rated:  
 [Standard & Poor's Ratings Services ("**S&P**"):  
 [●]]  
 [Moody's Investors Service ("**Moody's**"):  
 [●]]  
 [Fitch Ratings Ltd. ("**Fitch**"):  
 [●]]  
 [DBRS Ratings Ltd. ("**DBRS**"):  
 [●]]  
 [[Other]: [●]]  
 [[Each of [●],[●] and] [●] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009, as amended, although the result of such applications has not been determined.]  
 [[Each of [S&P] and] [Moody's] is established in the European Union, is registered under Regulation (EC) No 1060/2009 as amended (the "**CRA Regulation**") and is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)).]
- 27. Listing and admission to trading:** Listed and admitted to the NYSE Euronext Brussels Stock Exchange / [●]  
*[If the Notes are listed or admitted to trading on any other stock exchange, this should be specified]*
- 28. Over Issuance:** *[The amount of the Over Issuance will be specified]*
- 29. Net Proceeds of Issuance and use of proceeds:** [●]  
*[Particulars of Note issuance proceeds that will be paid to the Issuer should be set out]*

#### Distribution

- 30. Method of distribution:** [Syndicated] / [Non-syndicated]
- (i) **If Syndicated:**

(A) **Names of Managers:** [Not Applicable] [Set out Names]  
*[Include names of entities agreeing to underwrite the issue on a firm commitment basis and names of entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers]*

(B) **Names of Stabilising Managers:** [Not Applicable] [Set out Names]

(ii) **If Non-Syndicated, names of Dealers:** [Not Applicable] [Set out Names]

## **PART B**

### **31. Details of Related Loan**

- (i) **identity of the Related Loan:** [•]  
*[The Related Loan should be identified by a name]*
- (ii) **Principal Balance of the Related Loan:** [•]  
*[The principal balance of the Related Loan should be stated]*
- (iii) **Scheduled Maturity Date of the Related Loan:** [•]  
*[Particulars of the scheduled maturity of the Related Loan should be set out]*
- (iv) **Borrowers of the Related Loan:** [•]  
*[Particulars of the Borrowers of each Related Loan should be set out]*
- (v) **Relevant Belgian Region in respect of the Related Loan:** [•]  
*[Particulars of the Belgian Region providing financial backing in respect of the Related Loan should be set out – this will be either the Flemish Region, the Walloon Region or the Brussels Capital Region]*

- (vi) **Guarantee from Belgian Region:** [●]  
*[Particulars should be provided about the guarantee provided by the relevant Belgian Region.]*
- (vii) **Specific terms of Guarantees:** [Applicable]/[Not Applicable]  
*[Particulars of the terms of each Guarantee should be set out]*
- (viii) **Regulated or equivalent Market where the Guarantor is admitted to trading:** *[Include the name, address, country of incorporation, of such market].*

## **PART C**

### **32. Purpose of Final Terms**

**33.** These Final Terms comprise the final terms required for issue and admission to trading on NYSE Euronext Brussels Stock Exchange of the Notes described herein pursuant to the Issuer's EUR[2,500,000,000] Secured Note Issuance Programme.

### **34. Responsibility**

The Issuer accepts responsibility for the information in these Final Terms.

### **35. Estimated Expenses**

- |      |                                   |       |
|------|-----------------------------------|-------|
| (i)  | Expenses of the issue             | € [●] |
| (ii) | Expenses charged to the investors | € [●] |

### **36. Fee Spread**

<b>Notes Conditions</b>	<b>Related Loan Conditions</b>	<b>Fee Spread</b>
	<i>[Reference Rate – OLO/IRS/other]</i>	N/A
<i>[Notes Margin in bps.]</i>	<i>[Loan Margin in bps.]</i>	<i>[Δ between margins]*</i>
<i>[Interest Rate of Notes]</i>	<i>[Interest Rate of the Related Loan]</i>	

\* this Fee Spread, multiplied by the amount of the Tranche of Notes, will be used to cover the relative share of the total costs of the Programme. An overview of the total costs of the Programme can be found in the section “Cost of the Programme” of the Base Prospectus.

Annex 1  
[Scheduled Repayments]

## **USE OF PROCEEDS**

The proceeds from the issuance of the Notes of any Tranche may be used:

- (a) to enable the Issuer to make the Related Loans; and
- (b) to cover the fees costs and expenses related to the issuance of Notes; and
- (c) to constitute the Cash Reserve.

The use of proceeds in respect of any Tranche will be described more fully in the Final Terms.

## DISTRIBUTION AND SALE

### Distribution and Sale

The Dealers will enter into a programme agreement with the Issuer and the Trustee pursuant to which the Dealers will agree to distribute the Notes of any Tranche on a best efforts basis.

### Sales (in any jurisdiction) only permitted to Eligible Holders

The Notes offered by the Issuer may only be subscribed, purchased or held by Eligible Holders being holders of an X-Account with the X/N System or (directly or indirectly) through a holder of an X-Account.

In the event that the Issuer becomes aware that particular Notes are held by investors other than Eligible Holders acting for their own account in breach of the above requirement, the Issuer will suspend interest payments relating to these Notes until such Notes will have been transferred to and held by Eligible Holders.

The Dealers have represented and agreed that in respect of the initial distribution, they will not sell any Notes to parties who are not Eligible Holders.

### European Economic Area Standard Selling Restriction

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that Relevant Member State at any time:

- (a) to legal entities which are required to be authorised or regulated to operate in the financial markets;
- (b) large undertakings meeting two of the following size requirements on a company basis: (1) a total balance sheet of more than EUR 20,000,000, (2) an annual net turnover of more than EUR 40,000,000, and (3) own funds in excess of EUR 2,000,000, as shown in its last annual or consolidated accounts;
- (c) national and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other smaller organisations; and
- (d) other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions,

providing always that such offering shall be restricted to Eligible Holders only.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression *Prospectus Directive* means Directive 2003/71/EC (as amended from time to time) and includes any relevant implementing measure in each Relevant Member State.

### **United States of America**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered, sold or delivered within the United States or to, or for the account of, a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933, as amended.

### **United Kingdom**

The Dealers represent and agree that each of them:

- (a) has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**Financial Services Act**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the Financial Services Act does not apply to the Issuer; and
- (b) has complied and will comply with all applicable provisions of the Financial Services Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **General**

The distribution of this Base Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Persons into whose hands this Prospectus comes are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell, or deliver the Notes or have in their possession or distribute such offering material in all cases at their own expense.

No general action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of the Notes or possession or distribution of this Base Prospectus or any other offering material relating to the Notes in any country or jurisdiction where action for that purpose is required.

Accordingly, the Dealers have undertaken that they will not, directly or indirectly, offer, sell or deliver Notes or distribute or publish any preliminary or other Prospectus, advertisement or



other material relating to the Notes in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

**Listing Agent**

The Listing Agent is appointed by the Issuer to cause an application to be made to NYSE Euronext Brussels to listing of the Eurolist by NYSE Euronext Brussels two Business Days following the date of issue.

## TRANSACTION DOCUMENTS

The following documents will be available for inspection during normal business hours at the offices of the Issuer and the Issuer Manager:

- (c) the Articles of Association of the Issuer;
- (d) the Trust Deed (as defined above);
- (e) the Issuer Management Agreement (as defined above);
- (f) the Agency Agreement (as defined above);
- (g) the Account Bank and Cash Management Agreement (as defined above);
- (h) the Administration and Calculation Agency Agreement (as defined above);
- (i) the Programme-Wide Pledge and Limited Recourse Agreement; and
- (j) each Tranche-Specific Pledge.

None of these documents are incorporated by reference into this Base Prospectus.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer. Statements contained herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any such subsequent document modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

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

## GENERAL INFORMATION

1. The establishment of the Programme was approved by the Board of Directors on 9 December 2013.
2. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. For so long as the Notes are listed on NYSE Euronext Brussels, the most recently published audited annual accounts will be available at the offices of the Principal Paying Agent during normal business hours.
3. The Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.
4. Save as disclosed herein, since the date of incorporation of the Issuer, there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.

## APPENDIX

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