

## SCALA SYNTHETIC 2 PUBLIC LIMITED COMPANY

(incorporated with limited liability in Ireland with registered number 335980)

€ 30,000,000 Class A Secured Floating Rate Notes due 2005 (the *Class A Notes*)

€ 7,875,000 Class B Secured Floating Rate Notes due 2005 (the *Class B Notes*)

€ 10,500,000 Class C Secured Floating Rate Notes due 2005 (the *Class C Notes*)

€ 22,500,000 Class D Secured Floating Rate Notes due 2005 (the *Class D Notes*)

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Issue Price: 100 per cent.

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Scala Synthetic 2 public limited company (*Scala* or the *Issuer*) will issue the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes (together the *Notes*) on or about 12 December, 2000 (the *Closing Date*). The Notes will be constituted pursuant to a Trust Deed to be entered into on 12 December, 2000 (the *Trust Deed*) between the Issuer, Bankers Trustee Company Limited (in such capacity, the *Trustee*) as trustee for the holders of the Notes (the *Noteholders*) and the holders of the Coupons (the *Couponholders*) (if any), AIB International Financial Services Limited (the *Principal Paying Agent* and, together with any other Paying Agent appointed under the Paying Agency Agreement defined below, the *Paying Agents*) as paying agents under the paying agency agreement to be entered into on or about 8 December, 2000 between the Issuer, the Trustee and the Paying Agents (the *Paying Agency Agreement*), Allied Irish Banks p.l.c. (in such capacity, the *Bank*) as operating bank under the banking services agreement to be entered into on 12 December, 2000 between the Issuer, the Trustee, the Bank and AIB International Financial Services Limited (the *Banking Services Agreement*), AIB International Financial Services Limited (in such capacity, the *Corporate Administrator*) as corporate administrator under the corporate administration agreement to be entered into on 12 December, 2000 between the Issuer, the Trustee and the Corporate Administrator (the *Corporate Administration Agreement*), Structured Finance Management (Ireland) Limited (the *Corporate Officers Provider*) as corporate officers provider under the corporate officers agreement to be entered into on 12 December, 2000 between the Issuer and the Corporate Officers Provider (the *Corporate Officers Agreement*) and Banca Commerciale Italiana SpA (*BCI* or, in such capacity, the *Credit Default Swap Counterparty*) as credit default swap counterparty under the credit default swap to be entered into on 12 December, 2000 between the Issuer and the Credit Default Swap Counterparty (the *Credit Default Swap*). The claims of the Trustee for itself, the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty will rank in priority to the claims of the Noteholders and the Couponholders (if any). The claims of the Class A Noteholders will rank *pari passu* between themselves and in priority to the claims of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders. The claims of the Class B Noteholders will rank *pari passu* between themselves and in priority to the claims of the Class C Noteholders and the Class D Noteholders. The claims of the Class C Noteholders will rank *pari passu* between themselves and in priority to the claims of the Class D Noteholders. The claims of the Class D Noteholders will rank *pari passu* between themselves.

Scala is a newly incorporated company whose shares are held by a share trustee (and its nominees) under the terms of a charitable trust. BCI has no legal or beneficial interest in the Issuer or any control over its business or affairs.

Application has been made to the Irish Stock Exchange Limited (the *Irish Stock Exchange*) for the Notes to be admitted to the Official List of the Irish Stock Exchange. A copy of this Information Memorandum, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with the requirements of the Irish European Communities (Stock Exchange) Regulations 1984 (as amended) (the *Regulations*), has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.

**Particular attention is drawn to the section herein entitled "Risk Factors".**

**Banca Commerciale Italiana SpA**

The date of this Information Memorandum is 4 December, 2000

The proceeds of the issue of the Notes will be utilised in acquiring an interest bearing Euro deposit of an equal amount held in an account (the **Cash Deposit Account**) with BCI (in such capacity, the **Deposit Bank**) to be held pursuant to a deposit agreement (the **Deposit Agreement**) to be entered into between the Issuer, the Trustee and the Deposit Bank on 12 December, 2000. The Issuer will receive periodic payments in Euro on a quarterly basis from the Credit Default Swap Counterparty under the Credit Default Swap. The Issuer will be required to make payments in Euro to the Credit Default Swap Counterparty under the Credit Default Swap in certain circumstances upon the occurrence of a credit event, as defined in the Credit Default Swap, in relation to a notional portfolio of credit default swaps (the **Reference Portfolio**) linked to obligations of certain reference entities (see "**Description of the Credit Default Swap**"). If any such payment is made then, save to the extent that certain interest amounts of the Issuer may satisfy all or part of such payment, an amount equal to such payment will reduce, *pro rata* and *pari passu*, firstly the principal amount outstanding of the Class D Notes, secondly the principal amount outstanding of the Class C Notes, thirdly the principal amount outstanding of the Class B Notes and fourthly the principal amount outstanding of the Class A Notes in accordance with the Conditions of the Notes.

Interest on the Notes will be payable quarterly in arrears in Euro on the 12th day in March, June, September and December (each an **Interest Payment Date**) in each year or, if such day is not a Business Day (as defined in the terms and conditions of the Notes (the **Conditions**)), on the next following Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day. The Class A Notes will bear interest on their Principal Amount Outstanding (as defined in Condition 1.2) at the start of each Interest Period (as defined in the Conditions) at the European Interbank Offered Rate for three (3) month Euro deposits (**EURIBOR**) plus 0.70 per cent. per annum, the Class B Notes will bear interest on their Principal Amount Outstanding at the start of each Interest Period at EURIBOR plus 1.60 per cent. per annum, the Class C Notes will bear interest on their Principal Amount Outstanding at the start of each Interest Period at EURIBOR plus 2.60 per cent. per annum and the Class D Notes will bear interest on their Principal Amount Outstanding at the start of each Interest Period at EURIBOR plus 8.75 per cent. per annum.

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will each be initially represented by a temporary global note of the relevant class in bearer form (the **Class A Temporary Global Note**, the **Class B Temporary Global Note**, the **Class C Temporary Global Note** and the **Class D Temporary Global Note** respectively and together the **Temporary Global Notes**), without interest coupons or talons, which are expected to be deposited with Bankers Trust Company as common depositary (the **Common Depositary**) for the account of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), on or about the Closing Date. Interests in the Temporary Global Notes will each be exchangeable not earlier than 40 calendar days after the Closing Date (provided that certification of non-beneficial U.S. ownership has been received) for interests in a permanent global note in bearer form relating respectively to each Class of Notes (the **Class A Permanent Global Note**, the **Class B Permanent Global Note**, the **Class C Permanent Global Note** and the **Class D Permanent Global Note** respectively and together the **Permanent Global Notes**), without coupons or talons, which will also be deposited with the Common Depositary. The Temporary Global Notes and the Permanent Global Notes are referred to herein as the **Global Notes**. Save in certain limited circumstances, Notes in definitive form will not be issued in exchange for the Temporary Global Notes or the Permanent Global Notes.

It is a condition of the issuance of the Notes that the Class A Notes, the Class B Notes and the Class C Notes are assigned A, BBB and BB+ rating respectively by Standard & Poor's Rating Services – a division of The McGraw Hill Companies, Inc. (**S&P**) and A1, Baa2 and Baa3 rating respectively by Moody's Investors Service Limited (**Moody's**) and, together with S&P, the **Rating Agencies**). It should be noted that the Moody's ratings take into account the scheduled maturity date of the Notes but not any additional period resulting from the operation of Condition 3.2. 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 by the assigning rating organisation.

The Notes will be obligations solely of the Issuer and none of the Trustee, the Paying Agents, BCI, the Credit Default Swap Counterparty, the Deposit Bank, the Bank or any other person (other than the Issuer) has any obligation or accepts any liability to any holder of Notes or Coupons (if any) for payment of any amount due by the Issuer in respect of the Notes or Coupons (if any).

Potential investors should consider the descriptions set out in this Information Memorandum and the terms of the Trust Deed, the Notes, the Credit Default Swap, the Deposit Agreement and the factors set out in "*Risk Factors*" below. If you are in any doubt about the contents of this Information Memorandum or any of the aforesaid documents you should consult your financial, legal and other professional advisers.

The Issuer accepts responsibility for all the information contained in this Information Memorandum, except for the information under the headings "*Description of Banca Commerciale Italiana SpA*", "*Summary of the Reference Portfolio*" and "*The Reference Swap – Summary of Terms*" and Tables 1 to 6 in the section headed "*The Reference Portfolio - Eligibility Criteria and Reference Portfolio Characteristics*" (the **Issuer Information**). To the best of the knowledge and belief of the Issuer, the Issuer Information is in accordance with the facts and does not omit anything likely to affect the import of such information. BCI accepts responsibility for the information contained in this Information Memorandum under the headings "*Description of Banca Commerciale Italiana SpA*", "*Summary of the Reference Portfolio*" and "*The Reference Swaps – Summary of Terms*" and Tables 1 to 6 in the section headed "*The Reference Portfolio - Eligibility Criteria and Reference Portfolio Characteristics*" (the **BCI Information**). To the best of the knowledge and belief of BCI, the BCI Information is in accordance with the facts and does not omit anything likely to affect the import of such information. BCI accepts no responsibility with regard to the contents of this Information Memorandum other than the BCI Information.

No person has been authorised to give any information or make any representation in connection with the offering of the Notes save as contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or BCI. Neither the delivery of this Information Memorandum nor any sale or allotment made in connection with the issue of the Notes shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as at any time subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or BCI to subscribe for or purchase, any of the Notes. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. Other than the approval by the Irish Stock Exchange of this Information Memorandum as listing particulars in accordance with the requirements of the Regulations and the delivery of a copy of this Information Memorandum to the Registrar of Companies in Ireland for registration in accordance with the Regulations, no action is being taken to permit an offering of the Notes or the distribution of this Information Memorandum in any jurisdiction where such action is required.

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the *Securities Act*), or any state securities laws and the Notes may not be offered or sold within the United States or to US Persons (as defined under the heading "*Distribution*") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or applicable state laws.**

The distribution of the Information Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Information Memorandum comes are required by the Issuer and BCI to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offerings and sales of the Notes and on distribution of this Information Memorandum, see "*Distribution*" below.

**An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such an investment.**

References to € or *Euro* are to the currency introduced at the commencement of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992), as further amended from time to time.

Capitalised terms used in this Information Memorandum and not otherwise defined bear the meanings ascribed to them in the Credit Default Swap, the Trust Deed, the Conditions or the Note Placement Agreement (as defined in "*Distribution*" below) as applicable.

**In connection with the issue and distribution of the Notes, BCI may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising if commenced may be discontinued at any time. Such stabilising shall be in compliance with all relevant laws and regulations.**

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## Summary

*The information set out on pages 6 through 14 is a summary of the principal features of the transaction. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information appearing elsewhere in this Information Memorandum and to the terms of the Trust Deed, the Notes, the Credit Default Swap and the Deposit Agreement.*

**Transaction overview** : Banca Commerciale Italiana SpA (in such capacity, the **Credit Default Swap Counterparty**) is entering into credit default swap transactions in relation to a notional portfolio of credit default swap transactions (each a **Reference Swap** and together the **Reference Swaps**) of an aggregate notional principal amount of €750,000,000. The Credit Default Swap to which the Issuer and the Credit Default Swap Counterparty are counterparties represents one such credit default swap. The Credit Default Swap has a notional amount of €70,875,000 and relates to any diminution in the market value of debt obligations (each a **Reference Obligation** and together the **Reference Obligations**) of certain specified entities (each a **Reference Entity** and together the **Reference Entities**) underlying the Reference Swaps upon the occurrence of a Credit Event (as defined in "*Description of the Credit Default Swap*" below) with respect to any such Reference Swap. This will occur as a result of a "credit event" (as such term is used in a Reference Swap) with respect to the Reference Entity for such Reference Swap (being the entity specified in such Reference Swap). It should be noted that payments by the Issuer to the Credit Default Swap Counterparty are not contingent upon the Credit Default Swap Counterparty suffering any loss under such Reference Swap and will be payable whether or not the Credit Default Swap Counterparty is obliged to make a payment under any relevant Reference Swap, or does make any such payment.

**Principal Characteristics of the Notes:** The Notes represent four tranches of risk in the Reference Portfolio for an aggregate amount of €70,875,000 and correspond to the risk taken by the Issuer under the Credit Default Swap. These four tranches are represented by the Class D Notes (which represent the risk of total notional losses being up to €22,500,000 in the Reference Portfolio), the Class C Notes (which represent the risk of total notional losses being between €22,500,000 and €33,000,000 in the Reference Portfolio), the Class B Notes (which represent the risk of total notional losses being between €33,000,000 and €40,875,000 in the Reference Portfolio) and the Class A Notes (which represent the risk of total notional losses being between €40,875,000 and €70,875,000 in the Reference Portfolio).

**The Credit Default Swap:** Under the terms of the Credit Default Swap, the Credit Default Swap Counterparty is obliged to make fixed quarterly payments in Euro to the Issuer. The Issuer will be required to make payments to the Credit Default Swap Counterparty in Euro under the Credit Default Swap by reference to any diminution in the market value of a Reference Obligation upon the occurrence of a Credit Event with respect to the Reference Swap relating to such Reference Obligation. The Issuer will use the balance standing to the credit of the Cash Deposit Account with the Deposit Bank to fund any payments to be made by it under the Credit Default Swap.

**Utilisation of Proceeds:** The proceeds of the issue of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes will be utilised in acquiring on the Closing Date an interest bearing Euro deposit of an amount equal to such proceeds in the Cash Deposit Account with the Deposit Bank to

be held pursuant to the Deposit Agreement. The balance standing to the credit of the Cash Deposit Account, which shall be in Euro, shall be referred to herein as the **Cash Deposit**. Interest shall accrue on the Cash Deposit at the rate per annum determined by the Note Calculation Agent (in the same manner as it determines the interest rate payable on the Notes – see "*Interest on the Notes*" below) to be the European Interbank Offered Rate for three (3) month Euro deposits (EURIBOR) and shall be transferred to the Issuer Account (as defined below) on each Interest Payment Date (as defined below) – see "*Collateral*" below.

**Security:** The Issuer will grant security over all its assets associated with this transaction including its rights under the Credit Default Swap and the Deposit Agreement pursuant to the Trust Deed (the **Charged Property**). Such security shall be held by the Trustee for the benefit of itself and any receiver appointed by the Trustee under the Trust Deed, the Noteholders, the Couponholders, the Paying Agents, the Corporate Administrator, the Bank and the Credit Default Swap Counterparty under the Trust Deed. Save to the extent that amounts credited to the Issuer Account may be utilised, the principal amount payable to the Noteholders under the Notes will be reduced by the amount of any payment required to be made by the Issuer under the Credit Default Swap. Such amounts will reduce first the Principal Amount Outstanding of the Class D Notes, then the Principal Amount Outstanding of the Class C Notes, then the Principal Amount Outstanding of the Class B Notes and finally the Principal Amount Outstanding of the Class A Notes each to zero.

The terms upon which the Trustee holds the security described above will be set out under the Trust Deed. The claims of the Trustee for itself, the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty will rank in priority to the claims of the Noteholders and the Couponholders (if any).

In the event that the Issuer shall issue other notes or securities in connection with a different transaction, which it is entitled to do, the Charged Property shall continue to be held solely for the benefit of the Noteholders and the other parties referred to above and no other person, whether holders of such other notes or securities or counterparties to the Issuer in connection with such other transaction or otherwise, shall have any interest in the Charged Property or any part thereof. The Trust Deed, the Paying Agency Agreement, the Banking Services Agreement, the Corporate Administration Agreement, the Credit Default Swap, the Deposit Agreement and the Note Placement Agreement relate solely to the issue of the Notes and the transactions described herein.

The Trust Deed provides that the Trustee may retire at any time on giving not less than 3 months' prior written notice to the Issuer and that the Trustee may be removed by an extraordinary resolution of the Class A Noteholders (or, if there are no Class A Notes outstanding, the Class B Noteholders or, if there are no Class A Notes or Class B Notes outstanding, the Class C Noteholders or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Noteholders). The retirement or removal of the Trustee shall not become effective until a successor Trustee is appointed. The power to appoint a new Trustee is vested in the Issuer with the approval of an extraordinary resolution of the Class A Noteholders (or, if there are no Class A Notes outstanding, the Class B Noteholders or, if there are no Class A Notes or Class B Notes outstanding, the Class C Noteholders or, if there

are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Noteholders).

- Limited Recourse** : The liability of the Issuer, upon any redemption or repayment of the Notes, to make the relevant payments in respect of the principal of and interest on the Notes and to make any payment due to the Trustee, any Paying Agent, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty may only be satisfied out of the Issuer's interest in the Charged Property. None of the Trustee, the Noteholders or the Couponholders shall have any other recourse in respect of such payments against the Issuer or any of its property or assets not secured for their benefit, as referred to above, nor shall the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank or the Credit Default Swap Counterparty have any other such recourse.
- Issuer** : Scala Synthetic 2 public limited company, a public company incorporated with limited liability in Ireland with registered number 335980. The Issuer has been incorporated for the purpose of issuing the Notes and entering into the Credit Default Swap and the Deposit Agreement described herein and entering into the other transactions and agreements described in this Information Memorandum, and also for the purpose of entering into similar transactions, and issuing notes or other securities in connection with those other transactions up to a maximum aggregate principal amount (including the aggregate principal amount of the Notes) of €400,000,000. The shares in the Issuer are held by a share trustee (and its nominees) under the terms of a charitable trust.
- The Notes** : €30,000,000 Class A Secured Floating Rate Notes due 2005 (the **Class A Notes**), €7,875,000 Class B Secured Floating Rate Notes due 2005 (the **Class B Notes**), €10,500,000 Class C Secured Floating Rate Notes due 2005 (the **Class C Notes**) and €22,500,000 Class D Secured Floating Rate Notes due 2005 (the **Class D Notes**).
- Issue Date** : 12 December, 2000 (the **Closing Date**).
- Credit Default Swap Counterparty** : Banca Commerciale Italiana SpA (**BCI**).
- Reference Portfolio summary** : The aggregate notional principal amount of the Reference Portfolio is €750,000,000 as of the Closing Date (the **Pool Size**) and notionally comprising 54 Reference Swaps in respect of a number of corporate obligors (the **Reference Entities**). All Reference Entities are rated investment grade by either Moody's or S&P. No Reference Entity is rated either below BBB in the case of S&P or below Baa2 in the case of Moody's.

The weighted average Moody's rating factor of all the Reference Entities relating to the Reference Swaps in the initial Reference Portfolio (the Reference Portfolio may change as described in "Substitution" below) is 163.87, which corresponds to a rating of approximately A3. The Moody's Diversity Score (see Table 10 under the heading "*The Reference Portfolio – Eligibility Criteria and Reference Portfolio Characteristics*") in respect of the Reference Entities relating to the Reference Swaps in the initial Reference Portfolio is 34. At the Closing Date at least 69.3% of the Pool Size relates to Reference Entities with a Moody's long term rating of A3 or better and at least 68% of the Pool Size relates to Reference Entities with an S&P long term rating of A- or better. No single Reference Entity rated either



BBB+ in the case of S&P or Baa1 in the case of Moody's represents more than €20,000,000 notional principal amount of Reference Obligations, which is 2.70% of the Pool Size. No single Reference Entity rated either BBB in the case of S&P or Baa2 in the case of Moody's represents more than €10,000,000 notional principal amount of Reference Obligations which is 1.33% of the Pool Size. Moody's ratings in respect of the initial Reference Portfolio have been based on the Moody's Rating Factors set out in Table 8 under the heading "*The Reference Portfolio - Eligibility Criteria and Reference Portfolio Characteristics*".

The initial Reference Portfolio is linked to Reference Entities in 28 different Moody's Industry Categories and 27 different S&P Industry Groups with only one Moody's Industry Category and only one S&P Industry Group representing more than 8% of the Pool Size. As of the Closing Date the Credit Default Swap Counterparty has received no notice to the effect that any credit event has occurred under any of the Reference Swaps.

Further detailed information about the eligibility criteria relating to the Reference Portfolio is set out in "*The Reference Portfolio - Eligibility Criteria and Reference Portfolio Characteristics*".

***Interest on the Notes*** : The interest rate (the ***Interest Rate***) on the Notes will be determined by the Note Calculation Agent (see below) in accordance with Condition 2.3 by reference to the Screen Rate (as defined therein) or such other rate as is determined by the Note Calculation Agent for the purpose thereof for the European Interbank Offered Rate for three (3) month Euro deposits (EURIBOR) plus:

- (a) in the case of the Class A Notes, a margin of 0.70 per cent. per annum;
- (b) in the case of the Class B Notes, a margin of 1.60 per cent. per annum;
- (c) in the case of the Class C Notes, a margin of 2.60 per cent. per annum;  
and
- (d) in the case of the Class D Notes, a margin of 8.75 per cent. per annum.

The Interest on each Class of Notes will be calculated by reference to the Interest Rate and the Principal Amount Outstanding at the beginning of each Interest Period with respect to the specific Class of Notes.

***Collections*** : The Issuer will receive fixed quarterly payments from the Credit Default Swap Counterparty under the Credit Default Swap as described under "*Description of the Credit Default Swap*" and quarterly interest payments from the Deposit Bank in respect of the Cash Deposit under the Deposit Agreement. All such payments denominated in Euro will be paid or deposited in an account of the Issuer at the Bank (the ***Issuer Account***) operated pursuant to the Banking Services Agreement at its branch located at Ashford House, Tara Street, Dublin 2, Ireland.

On each Interest Payment Date, amounts standing to the credit of the Issuer Account will be allocated and applied to pay amounts payable under the Notes after such moneys have been applied in making any payments due to the Trustee, the Paying Agent and the Credit Default Swap Counterparty.

***Events of Default*** : Each of the following events constitutes an "Event of Default" in respect of the Notes:

- (a) the Issuer defaults in the payment of any interest or principal due in respect of any Note and such default continues for a period of three Business Days;
- (b) the Issuer becomes subject to specified insolvency events;
- (c) the Issuer fails to perform or observe any of its other obligations under the Notes or the Trust Deed and, if such failure is capable of remedy, such failure continues for a period of 30 calendar days following the delivery by the Trustee to the Issuer of written notice requiring the same to be remedied.

Upon the occurrence of an Event of Default, the Trustee may and, if so requested in writing by the holders of at least one fifth in aggregate principal amount of the Class A Notes (or, if there are no Class A Notes outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes) or by an Extraordinary Resolution of Class A Noteholders (or, if there are no Class A Notes outstanding, the Class B Noteholders or, if there are no Class A Notes or Class B Notes outstanding, the Class C Noteholders or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Noteholders), shall declare the Notes due and payable, provided that in relation to paragraphs (b) and (c) it shall have certified to the Issuer that the happening of such event is in its opinion material to Noteholders.

An Event of Default does not however arise by virtue of a reduction in the Principal Amount Outstanding of the Notes as a result of a payment being made by the Issuer under the Credit Default Swap.

**Redemption** : *Final Redemption*

Unless previously redeemed in full, each Class of Notes will be redeemed at its Principal Amount Outstanding on 12 December, 2005.

On any redemption of the Notes (including a mandatory redemption following termination of the Credit Default Swap referred to below), the Issuer will be required to apply its available assets *pro rata* and *pari passu* in redemption of the Class A Notes and unpaid interest accrued thereon and, following the redemption in full of the Class A Notes, *pro rata* and *pari passu* in redemption of the Class B Notes and unpaid interest accrued thereon and, following the redemption in full of the Class B Notes, *pro rata* and *pari passu* in redemption of the Class C Notes and unpaid interest accrued thereon and, following the redemption in full of the Class C Notes, *pro rata* and *pari passu* in redemption of the Class D Notes and unpaid interest accrued thereon.

*Mandatory Redemption following termination of the Credit Default Swap*

The terms of the Credit Default Swap provide, at the option of the Credit Default Swap Counterparty and only in the event that a change in any law, regulation, requirement or guideline or the interpretation thereof is reasonably anticipated to result in it or its affiliates incurring unforeseen costs or liabilities (see "*Description of the Credit Default Swap*"), for its termination on any Fixed Rate Payer Payment Date (as defined in the Credit Default Swap) on or after 12 December, 2002. Following any such

termination, each Class of Notes will at that time be redeemed at its Principal Amount Outstanding (as defined in Condition 1.2 of the Notes).

The Credit Default Swap may also terminate on any date (which may be earlier than 12 December, 2002) upon the occurrence of certain Events of Default or Termination Events (see "*Description of the Credit Default Swap*"). In the event that the Credit Default Swap is terminated owing to any of the reasons referred to in that section, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with all unpaid accrued interest thereon.

#### *Retention*

If there has been a Credit Event with respect to any of the Reference Swaps (as defined in the Credit Default Swap) and the Cash Settlement Amount in relation to any such Reference Swap under the Credit Default Swap (that is, the amount payable by the Issuer to the Credit Default Swap Counterparty by reference to the diminution in market value of the Reference Obligations underlying such Reference Swap) has not been paid by the Maturity Date or any earlier date upon which the Notes or any of them are to be redeemed in accordance with Condition 3.3 or 3.4 (the ***Redemption Date***) then:

- (a) on the Maturity Date or, as the case may be, the Redemption Date, the Issuer shall apply an amount equal to the Principal Amount Outstanding of the Notes and unpaid interest accrued thereon less the aggregate Reference Swap Notional Amounts (as defined in the Credit Default Swap) of all such Reference Swaps (the ***Retained Amount***); and
- (b) with respect to each such Reference Swap, on the day that is 7 Business Days after the Final Valuation Date (as defined in the Credit Default Swap) in respect of such Reference Swap, the Issuer shall apply an amount equal to that part of the Retained Amount as relates to such Reference Swap less the Cash Settlement Amount required to be paid by it to the Credit Default Swap Counterparty under the Credit Default Swap in respect of such Reference Swap,

in each case pro rata in redemption of the Class A Notes and unpaid interest accrued thereon and, following the redemption in full of the Class A Notes, pro rata in redemption of the Class B Notes and unpaid interest accrued thereon and, following the redemption in full of the Class B Notes, pro rata in redemption of the Class C Notes and unpaid interest accrued thereon, and, following the redemption in full of the Class C Notes, pro rata in redemption of the Class D Notes and unpaid interest accrued thereon.

#### *Optional Redemption for Taxation Reasons*

The Issuer shall redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with unpaid accrued interest, if instructed by an Extraordinary Resolution of the Class A Noteholders or, if there are no Class A Notes outstanding, the Class B Noteholders or, if there are no Class B Notes outstanding, the Class C Noteholders or, if there are no Class C Notes outstanding, the Class D Noteholders, in the event that the Issuer (i) is obliged as a result of any change in applicable law with respect to taxation in Ireland, to make any withholding or deduction from payments in respect of the Notes by reason of Irish taxation changes, (ii) would be subject to any circumstance or to a tax charge which would materially increase its costs of

complying with its obligations in respect of the Notes or materially increase its costs of complying with its obligations in respect of the Notes or materially increase its costs or administrative expenses, or (iii) will, as a result of any change in applicable law, receive insufficient moneys in respect of its assets to meet its obligation to pay interest on the Notes (although the Issuer will not have any obligation to pay additional amounts in respect of any such redemption); provided however that the Issuer shall notify the Credit Default Swap Counterparty of such event and the Credit Default Swap Counterparty shall have the right, but not the obligation, to pay such additional amounts to the Issuer under the Credit Default Swap so as to ensure that the Issuer is able to make payments to the Noteholders as if the events described in (i), (ii) and (iii) above had not occurred.

***Issuer payments under the Credit Default Swap***

: The Issuer may be required to make payments of a Cash Settlement Amount to the Credit Default Swap Counterparty under the Credit Default Swap following the occurrence of any Credit Event in relation to any Reference Swap calculated by reference to the diminution in value of the relevant Reference Obligation (see "*Description of the Credit Default Swap*").

If any payment of a Cash Settlement Amount is required to be made by the Issuer under the Credit Default Swap, then, except to the extent at any time such payment can be made from amounts standing to the credit of the Issuer Account (after any interest payments to be made on the Notes on such date) (the ***Issuer Account Surplus***), such payment of the Cash Settlement Amount will be funded from Cash Deposit. An amount equal to the Cash Settlement Amount (as defined in "*Description of the Credit Default Swap – Payments by the Issuer*" below), less any portion of such Cash Settlement Amount paid out of the Issuer Account Surplus as aforesaid, will be applied firstly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class D Notes until such Principal Amount Outstanding is reduced to zero, secondly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class C Notes until such Principal Amount Outstanding is reduced to zero, thirdly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class B Notes until such Principal Amount Outstanding is reduced to zero and fourthly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class A Notes until such Principal Amount Outstanding is reduced to zero.

***Substitution***

: At any time and from time to time up to and including 12 April, 2001, the Credit Default Swap Counterparty shall be entitled to substitute one or more Reference Swaps in the Reference Portfolio with other credit default swap transactions having in aggregate the same Reference Swap Notional Amounts (as defined in the Credit Default Swap), provided that the aggregate of the Reference Swap Notional Amounts of all Reference Swaps so substituted shall not exceed €225,000,000 and provided also that immediately after any such substitution the relevant eligibility criteria relating to the Reference Portfolio shall continue to be satisfied.

***Collateral***

: The proceeds of the Notes will be utilised on the Closing Date by the Issuer in the acquisition of a Euro deposit of an equal amount held in an account with the Deposit Bank at its branch located at 90 Queen Street, London EC4N 1SA (the ***Cash Deposit Account***) pursuant to the Deposit Agreement. The Cash Deposit Account will bear interest payable quarterly on each Interest Payment Date which will be transferred to the Issuer Account. The Deposit Bank will be required to repay any amounts standing to the credit of the Cash Deposit Account (the ***Cash Deposit***) to the Issuer to the extent

necessary to enable the Issuer to make any payment due by it to the Credit Default Swap Counterparty under the Credit Default Swap after the occurrence of a Credit Event.

**Additional payments :** Under the Credit Default Swap, BCI will pay to the Issuer any additional amounts necessary to ensure that the Issuer can meet its administrative costs.

**Status of the Notes :** The Notes will be direct, limited recourse obligations of the Issuer. The obligations of the Issuer with respect to the Class D Notes rank *pari passu* between themselves and are subordinate in payment priority to the obligations of the Issuer with respect to the Class C Notes, the Class B Notes and the Class A Notes. The Class C Notes rank *pari passu* between themselves and are subordinate in payment priority to the obligations of the Issuer with respect to the Class B Notes and the Class A Notes. The Class B Notes rank *pari passu* between themselves and are subordinate in payment priority to the obligations of the Issuer with respect to the Class A Notes. The Class A Notes rank *pari passu* between themselves.

**Form and delivery of Notes :** Each Class of Notes will initially be represented by a temporary global note, in bearer form, without coupons or talons attached (each a **Temporary Global Note**). Each such Temporary Global Note will be deposited with the Common Depositary on or about the Closing Date. Interests in each such Temporary Global Note will be exchangeable not earlier than 40 calendar days after the Closing Date for interests in a permanent global note, in bearer form, without coupons or talons attached (each a **Permanent Global Note**) provided that written certification of non-U.S. beneficial ownership by the relevant Noteholders has been received. As used herein, the term **Global Note** in respect of each Class of Notes includes the Temporary Global Note and the Permanent Global Note for such Class of Notes. On the initial exchange of interests in a Temporary Global Note in respect of a Class of Notes for interests in a Permanent Global Note in respect of such Class of Notes, such Permanent Global Note will be deposited with the Common Depositary.

Save in certain limited circumstances, Notes in definitive form (the **Definitive Notes**) will not be issued in exchange for Global Notes. For so long as Notes are represented by the Global Notes held by the Common Depositary, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

**Issuer Protection :** None of the Trustee, the Paying Agents, the Bank, the Deposit Bank, the Corporate Officers Provider, the Credit Default Swap Counterparty, the Noteholders or the Couponholders shall be entitled at any time to institute against the Issuer, or join in the institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations relating to the Notes, the Coupons, the Trust Deed, the Paying Agency Agreement, the Deposit Agreement, the Banking Services Agreement, the Corporate Administration Agreement, the Corporate Officers Agreement or the Credit Default Swap.

**Selling restrictions :** The Notes will be subject to certain selling restrictions set out under "**Distribution**".

**Trustee :** Bankers Trustee Company Limited

**Principal Paying Agent :** AIB International Financial Services Limited

**Note Calculation Agent** : Deutsche Bank AG, London Branch

**ISIN numbers** : XS0121597909 for the Class A Notes, XS0121598743 for the Class B Notes,  
XS0121598972 for the Class C Notes and XS0121600034 for the Class D  
Notes.

## Risk Factors

An investment in the Notes involves certain risks. Prospective investors should carefully consider the following factors, in addition to the matters described elsewhere in this Information Memorandum and the terms of the Trust Deed, the Notes, the Credit Default Swap, the Deposit Agreement, the Paying Agency Agreement and the Note Placement Agreement (which are available for inspection as specified in this Information Memorandum), prior to investing in the Notes.

***Credit exposure to the Reference Obligations and Reference Entities:*** As described in the Credit Default Swap, the Issuer will be required to make payments to the Credit Default Swap Counterparty under the Credit Default Swap as a result of any diminution in the market value of certain Reference Obligations following the occurrence of a Credit Event in relation to the relative Reference Swap (see "*The Reference Portfolio - Eligible Criteria and Reference Portfolio Characteristics*", "*The Reference Swaps – Summary of Terms*" and "*Description of the Credit Default Swap*"). Any such payment will reduce, on a *pro rata* and *pari passu* basis, first the Principal Amount Outstanding of the Class D Notes, then the Principal Amount Outstanding of the Class C Notes, then the Principal Amount Outstanding of the Class B Notes and finally the Principal Amount Outstanding of the Class A Notes, each to zero. Accordingly, the Issuer, as party to the Credit Default Swap, and therefore the Noteholders, will be exposed to risk related to the Reference Entities and the Reference Obligations. Following the occurrence of a Credit Event, the Issuer will be obligated under the Credit Default Swap to make a payment to the Credit Default Swap Counterparty based on the diminution in market value of the relevant Reference Obligation calculated by reference to bid prices quoted with respect to the specified Reference Obligation, and not the actual loss (if any) or notional loss incurred by the Credit Default Swap Counterparty. The bid prices and consequently the Cash Settlement Amount payable by the Issuer may be affected by circumstances other than such Credit Event.

The Reference Obligations are subject to credit, market, liquidity and interest rate risk. The market value of the Reference Obligations will generally fluctuate with, among other things, the financial condition of the Reference Entities, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

***Illiquidity of Reference Obligations:*** Many of the Reference Obligations will have no, or only a limited, trading market. It may be difficult to dispose of illiquid Reference Obligations in a timely fashion and for a fair price, which could reduce the market value of a Reference Obligation and therefore increase the amount payable by the Issuer under the Credit Default Swap. Illiquid Reference Obligations may trade at a discount from comparable, more liquid investments. In addition, the Reference Portfolio may contain private Reference Obligations that may or may not be freely transferable under applicable securities laws or due to contractual restrictions on resale which might have an adverse effect on the market value of such Reference Obligations. In addition, the financial markets have from time to time experienced substantial fluctuations in prices for bank loans and limited liquidity for such obligations. No assurance can be given that the conditions giving rise to such price fluctuations and limited liquidity will not continue or become more acute following the Closing Date.

***No legal or beneficial interest in the Reference Obligations or the Reference Swaps:*** As a party to the Credit Default Swap, the Issuer has a contractual relationship with the Credit Default Swap Counterparty. The Issuer has no rights in or to, or any security interest in respect of, any Reference Obligation or Reference Swap or against any Reference Entity. The entry into the Credit Default Swap by the Issuer does not constitute a purchase or other acquisition or assignment of any interest in any Reference Obligation or Reference Swap. None of the Issuer, the Trustee, the Noteholders or any other entity has any right to acquire from the Credit Default Swap Counterparty (or to require the Credit Default Swap Counterparty to transfer, assign or otherwise dispose of) any interest in the Reference Obligations, the Reference Swaps or any of them.

***Limited provision of information about Reference Entities:*** None of the Issuer, the Trustee or the Noteholders will have the right to know the identities of the Reference Entities or, except as specifically

required under the terms of the Credit Default Swap, to receive any information regarding any obligation of any Reference Entity. The Credit Default Swap Counterparty will have no obligation to keep the Issuer, the Trustee or the Noteholders informed as to the continued compliance of the Reference Portfolio with the required eligibility criteria or as to matters arising in relation to any Reference Entity or any such obligation, including whether or not circumstances exist under which there is a possibility of the occurrence of the Credit Event.

None of the Issuer, the Trustee or the Noteholders will have the right to inspect any records of the Credit Default Swap Counterparty which will be under no obligation to disclose any further information or evidence regarding the existence or terms of any Reference Swap or any obligation of any Reference Entity or any matters arising in relation thereto or otherwise regarding any Reference Swap, any Reference Entity, any guarantor or any other person. The Credit Default Swap Counterparty will be required to keep such records in a secure location.

**Tenor:** Although the final maturity date of the Notes is 12 December, 2005, the Notes will be subject to mandatory redemption (i) on or after 12 December, 2002, if the Credit Default Swap is terminated at the option of the Credit Default Counterparty due to change in, or in the interpretation of, any law, regulation, requirement or guideline or (ii) at any time, upon the termination of the Credit Default Swap following the occurrence of certain Events of Default or Termination Events (see "*Description of the Credit Default Swap*"). The Issuer may also redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued interest if instructed by an Extraordinary Resolution of certain specified Noteholders upon the occurrence of certain tax events described in Condition 3.4.

**Reliance on the creditworthiness of BCI in its respective capacities of Credit Default Swap Counterparty and Deposit Bank and of Allied Irish Banks p.l.c. in its capacity of the Bank:** The ability of the Issuer to meet its obligations under the Notes will be dependent in part on the receipt by it of payments due from the Credit Default Swap Counterparty under the Credit Default Swap, from the Deposit Bank under the Deposit Agreement and from the Bank under the Banking Services Agreement. To seek to reduce certain of these risks, the following provisions have been included:

- (i) The Credit Default Swap Counterparty currently has an S&P short-term rating of A-1 and a Moody's short-term rating of P-1. If the Credit Default Swap Counterparty's S&P short-term rating falls below A-1 or its Moody's short-term rating falls below P-1 or either such rating is withdrawn, the payments relating to each Calculation Period due from the Credit Default Swap Counterparty under the Credit Default Swap shall thereafter be made to the Issuer at the beginning of each such Calculation Period instead of at the end. The failure by the Credit Default Swap Counterparty to make any such advance payment will result in an early termination of the Credit Default Swap. This will result in an automatic redemption of the Notes.
- (ii) The Deposit Bank currently has an S&P short-term rating of A-1 and a Moody's short-term rating of P-1. If the Deposit Bank's S&P short-term rating falls below A-1 or its Moody's short-term rating falls below P-1 or either such rating is withdrawn, the Deposit Bank will be obliged to find a replacement bank (at its expense) to act as Deposit Bank under the Deposit Agreement with S&P and Moody's ratings of at least A-1 and P-1 respectively within five Banking Days, failing which the Issuer shall be entitled to terminate the Deposit Agreement. In the event that such replacement bank agrees to pay interest at a margin below the rate payable by BCI as Deposit Bank, the fixed quarterly payment due from the Credit Default Swap Counterparty under the Credit Default Swap shall be increased by a percentage rate equal to such margin with effect from the date of replacement.

If the Deposit Bank is unable to find such a replacement within such period:-

- (a) it shall apply the Cash Deposit in the purchase on behalf of the Issuer of Euro-denominated bonds issued by a G7 government entity having an S&P long-term rating of at least AA and a Moody's long-term rating of at least Aa2;



- (b) it shall find a bank (at its expense) with an S&P short-term rating of at least A-1 and a Moody's short-term rating of at least P-1 to enter into a hedging swap with the Issuer under which the Issuer will make fixed payments in Euro to such bank in amounts equal to the income receivable by the Issuer under such bonds and will receive floating rate payments in Euro from such bank at the rate which had been payable by the Deposit Bank under the Deposit Agreement, or, to the extent that such bank pays a lower rate of interest under such swap, the Deposit Bank has undertaken in the Deposit Agreement to pay the short fall to the Issuer; and
- (c) in the event that either short-term rating of the bank referred to in (b) subsequently falls below A-1 (in the case of S&P) or P-1 (in the case of Moody's), it shall find a replacement bank (at its expense) with an S&P short-term rating of at least A-1 and a Moody's short-term rating of at least P-1 to replace the bank referred to in (b) above as the counterparty of the Issuer under such swap.

The bonds referred to in (a) above shall be held by a custodian and charged or pledged in favour of the Trustee and all of the Issuer's rights, title, interest and benefit in, under and pursuant to the swaps referred to in (b) and (c) shall be assigned by way of first fixed security in favour of the Trustee, and all of such assets and rights will thereafter form part of the Charged Property.

- (iii) The Issuer will be entitled to terminate the Banking Services Agreement upon the occurrence of certain events including the Bank's S&P short-term rating falling below A-1 or its Moody's short-term rating falling below P-1. The Bank currently has an S&P short-term rating of A-1 and a Moody's short-term rating of P-1.

The proceeds of the Notes will be represented by the Cash Deposit held in the Cash Deposit Account with BCI in its capacity as Deposit Bank. In the event an insolvency of BCI, the Issuer would be expected not to be able to meet its payment obligations under the Notes.

The Credit Default Swap is a senior, unsecured and unsubordinated obligation of the Credit Default Swap Counterparty. Should the Credit Default Swap Counterparty become insolvent, neither the Issuer nor the Trustee would have any right to take possession of or enforce the provisions of any Reference Obligations or to acquire any of the rights or benefits of the Credit Default Swap Counterparty under the Reference Swaps, and the Issuer would rank as an unsecured creditor in relation to amounts due from the Credit Default Swap Counterparty under the Credit Default Swap.

**Consideration by the Credit Default Swap Counterparty of the interests of the Issuer:** Unless a Reference Obligation is transferred to the Credit Default Swap Counterparty as a result of physical delivery under the relevant Reference Swap, the Credit Default Swap Counterparty will not own or control such Reference Obligation and therefore will have no rights, powers or influence in connection therewith. If and to the extent that the Credit Default Swap Counterparty at any time owns or controls any Reference Obligations, the Credit Default Swap Counterparty will exercise or enforce or refrain from exercising or enforcing any or all of its rights and powers arising under or in connection therewith or agree to or refuse amendments or waivers of the terms applicable to any such Reference Obligation in accordance with its ordinary business practices and as it sees fit. None of the Issuer, the Trustee and the Noteholders has any right or power to compel the Credit Default Swap Counterparty to take or refrain from taking any action in respect of any Reference Obligations that it might own or control. There is no obligation on the Credit Default Swap Counterparty (i) to retain all or any part of the Reference Obligations which it may, subject to the terms of such Reference Obligations, freely transfer to any other entity or (ii) to mitigate any loss that it may incur upon, or diminution in market value that may result from, the occurrence of a Credit Event with respect to any Reference Swap.

**Substitution Rights:** The Credit Default Swap Counterparty has the limited right, for the four months following the Closing Date, to substitute Reference Swaps subject to satisfaction of the relevant eligibility criteria. If Reference Swaps are substituted, there is no guarantee that future Reference Swaps, although required to meet the eligibility criteria, will perform better than or as well as the initial Reference Swaps.

**No guarantee of secondary market; limited liquidity:** There is currently no market for the Notes. Although BCI may make a market in the Notes, it is under no obligation to make a market in, or otherwise purchase, the Notes and, following the commencement of any market-making, may discontinue the same at any time. It is unlikely that a secondary market for any of the Notes will develop, or if a secondary market does develop, that it will provide the holders of the Notes with liquidity of investment or that it will continue for the life of the Notes. In addition, the Notes are subject to certain transfer restrictions and can only be transferred to certain transferees as described under the heading "*Distribution*". Consequently, an investor in the Notes must be prepared to hold the Notes until their maturity.

**Relative ranking of Notes:** If the Issuer is required to make payments to the Credit Default Swap Counterparty under the Credit Default Swap, such amounts will be applied to reduce first the Principal Amount Outstanding of the Class D Notes. Only once the Principal Amount Outstanding of the Class D Notes is reduced to zero will such amounts be applied to reduce the Principal Amount Outstanding of the Class C Notes. Only once the Principal Amount Outstanding of the Class C Notes is reduced to zero will such amounts be applied to reduce the Principal Amount Outstanding of the Class B Notes. Only once the Principal Amount Outstanding of the Class B Notes is reduced to zero will such amounts be applied to reduce the Principal Amount Outstanding of the Class A Notes.

**Non-recourse Obligations:** The liability of the Issuer, upon any redemption or repayment of the Notes, to make the relevant payments in respect of the principal of and interest on the Notes and to make any payment due to the Trustee, any Paying Agent, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty may only be satisfied out of its interest in the Charged Property (as defined in the Trust Deed). Neither the Trustee nor the Noteholders shall have any other recourse in respect of such payments against the Issuer nor shall the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank or the Credit Default Swap Counterparty have any other such recourse. If distributions on the Charged Property are insufficient to make payments on the Notes, no other assets will be available for payment of the deficiency and, following liquidation of all the Charged Property, the obligations of the Issuer to pay such deficiencies will be extinguished.

**Credit ratings:** Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and/or interest payments and do not evaluate the risks of fluctuations in market value. Accordingly, credit ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than a rating indicates.

**Trustee's actions:** Under the Trust Deed, the Trustee holds a security interest in and to the assets of the Issuer for the benefit of the Trustee, the Paying Agents, the Corporate Administrator, the Bank, the Credit Default Swap Counterparty and in priority to the Noteholders. Subject to the provisions of the Trust Deed relating to priority of payments, the Trustee will act in the interests of such parties as a whole, provided that if there is a conflict between the interests of any of the Noteholders and any of the other parties, the Trustee will act in the interests of the Noteholders and, if there is a conflict between the interests of the holders of different Classes of Notes, in the interests of the holders of the most senior Class of Notes.

**Description of the Transaction Documents:** The descriptions of the Notes, the Trust Deed, the Credit Default Swap, the Deposit Agreement and the Note Placement Agreement contained in this Information Memorandum are summaries only and Noteholders are bound by, and are deemed to have notice of, all the provisions of such documents.

### **Use of Proceeds**

The net proceeds of the issue of the Notes, estimated to be €70,875,000, will be applied in acquiring the Cash Deposit to be held under the Deposit Agreement.

## **The Reference Portfolio - Eligibility Criteria and Reference Portfolio Characteristics**

### **Summary of the Reference Portfolio**

As of the Closing Date, the Reference Portfolio consists of a notional portfolio of 54 Reference Swaps with an aggregate notional principal amount of €750,000,000. The Reference Swaps are linked to debt obligations (Reference Obligations) of the Reference Entities. Reference Obligations may include loan facilities, term loans, bonds, notes or other debt securities, and in some cases by virtue of the terms of the relevant Reference Swap no precise loan, bond, note or debt security is identified as the Reference Obligation. However, no Reference Obligation is subordinated by its terms to other indebtedness of the Reference Entity (excluding deposits), the Reference Obligations relating to Reference Swaps comprised in the Reference Portfolio will, on the Closing Date and on the date of their inclusion in the Reference Portfolio, meet the relevant eligibility criteria summarised below and each of the Reference Entities will carry a long term credit rating of at least BBB by S&P or at least Baa2 by Moody's.

Each Reference Entity is a corporation and is based in one of the European Union (excluding Greece), the United States or Australia.

Detailed information in relation to the Reference Obligations as at the Closing Date is set out in Tables 1 to 6 below.

### **BCI's Selection Process**

BCI's exposure to each of the Reference Entities arising by virtue of entering into the Reference Swaps is within its existing limits in accordance with BCI's standard procedures.

### **Eligibility Criteria Relating to the Reference Portfolio**

The Reference Portfolio will have the following Eligibility Criteria:

- (i) At the time of inclusion of a Reference Swap in the Reference Portfolio, the related Reference Entity must be based in one of the European Union (excluding Greece), the United States or Australia.
- (ii) At the time of inclusion of a Reference Swap in the Reference Portfolio, the Credit Default Swap Counterparty must not have received any notice of a Credit Event having occurred with respect to such Reference Swap or the related Reference Entity.
- (iii) At the time of inclusion of a Reference Swap in the Reference Portfolio, the related Reference Obligation is not and may not be subordinated by its terms to other indebtedness of the relevant Reference Entity (excluding deposits).
- (iv) At the time of inclusion of a Reference Swap in the Reference Portfolio, the related Reference Obligation bears interest at either a fixed or a floating rate that is paid on a periodic basis and calculated by reference to a benchmark interest rate (plus or minus a spread, if any) and the payment or repayment of principal of the related Reference Obligation is not in an amount determined by reference to any formula or index or subject to any contingency.
- (v) On the Closing Date, the Moody's weighted average rating of the Reference Portfolio is A3. This weighted average rating is weighted by reference to the Reference Swap Notional Amount. Where the Moody's rating is not available, the rating has been determined by translating the existing S&P rating using Table 4 and taking the immediately inferior Moody's rating.
- (vi) At the time of inclusion of a Reference Swap in the Reference Portfolio, the related Reference Entity will either have a long term Moody's rating or have a long term S&P rating provided that

any such Moody's rating shall be at least equal to Baa2 and any such S&P rating shall be at least equal to BBB.

- (vii) At the Closing Date, at least 69.3% of the Pool Size will relate to Reference Entities with a Moody's long term rating of A3 or better and at least 68% of the Pool Size will relate to Reference Entities with an S&P long term rating of A- or better.
- (viii) On the Closing Date and at the time of inclusion of a Reference Swap in the Reference Portfolio, no Reference Entity will be rated either below BBB, in the case of S&P, or Baa2, in the case of Moody's, and the aggregate amount of Reference Obligations in respect of any single Reference Entity:
  - (a) with a long term Moody's rating of Baa1 or a long term S&P rating of BBB+ will be not more than €20,000,000, which is 2.70% of the Pool Size; and
  - (b) with a long term Moody's rating of Baa2 or a long term S&P rating of BBB will be not more than €10,000,000, which is 1.33% of the Pool Size.
- (ix) On the Closing Date:
  - (a) only one Moody's Industry Category represented in the Reference Portfolio will constitute more than 8% of the Pool Size and such Moody's Industry Category will not constitute more than 12% of the Pool Size;
  - (b) only one S&P Industry Group represented in the Reference Portfolio will constitute more than 8% of the Pool Size and such S&P Industry Group will not constitute more than 12% of the Pool Size,

and no substitution of a Reference Swap shall cause any of these limits to be exceeded.

- (x) On the Closing Date and at each time any Reference Swap is substituted, there shall be at least 54 Reference Entities represented in the Reference Portfolio and the Reference Portfolio Diversity Score (as determined in good faith by the Credit Default Swap Counterparty) will be at least 34, calculated on the basis set out in Table 10 below, adjusted by Moody's in accordance with its normal procedures where such score exceeds 10.
- (xi) On the Closing Date and at each time any Reference Swap is substituted, each Reference Entity will have a senior unsecured rating from either Moody's or S&P and the aggregate of Reference Entities which do not have a senior unsecured Moody's rating will not exceed 15% of the Pool Size.
- (xii) On the Closing Date, at least 96% of the Pool Size will relate to Reference Entities which are listed on a recognised public stock exchange.
- (xiii) On the Closing Date, at least 88% of the Pool Size will relate to Reference Entities with a market capitalisation of more than €5 billion and at least 61% of the Pool Size will relate to Reference Entities with a market capitalisation of more than €10 billion.
- (xiv) Upon a substitution of a Reference Swap:
  - (a) the Deemed S&P Rating (as defined in the Credit Default Swap) of the Reference Entity in respect of the replacement Reference Swap will, at the time of substitution, be at least equal to the Deemed S&P Rating of the Reference Entity in respect of the substituted Reference Swap at such time; and for such purpose, the Deemed S&P Rating with respect to any such Reference Entity shall be the senior unsecured long term rating assigned by S&P in relation to such Reference Entity provided that (x) if such S&P rating has an

“associated negative outlook”, such rating shall be adjusted downwards by one grade by reference to Table 4 or (y) if no such rating from S&P has been assigned in relation to such Reference Entity, the Deemed S&P Rating shall be the equivalent senior unsecured long-term rating assigned by Moody’s to such Reference Entity, adjusted downwards by one grade, by reference to Table 4.

- (b) the Deemed Moody’s Rating (as defined in the Credit Default Swap) of the Reference Entity in respect of the replacement Reference Swap will, at the time of substitution, be at least equal to the Deemed Moody’s Rating of the Reference Entity in respect of the substituted Reference Swap at such time; and for such purpose, the Deemed Moody’s Rating with respect to any such Reference Entity shall be the senior unsecured long term rating assigned by Moody’s in relation to such Reference Entity provided that (x) if such Moody's rating is on "negative watch", such rating shall be adjusted downwards by one grade by reference to Table 4 or (y) if no such rating from Moody’s has been assigned in relation to such Reference Entity, the Deemed Moody’s Rating shall be the equivalent senior unsecured long-term rating assigned by S&P in relation to such Reference Entity, adjusted downwards by one grade, by reference to Table 4.
- (xv) On the Closing Date and at each time any Reference Swap is substituted, the aggregate of the Reference Entities whose principal place of business is based in the United States of America shall not exceed 15% of the Pool Size.

**Table 1: Country of Reference Entities**

<b>Country</b>	<b>Notional Amount (€ millions)</b>	<b>Percentage of Reference Portfolio (%)</b>	<b>Number of Reference Entities</b>
United States	80	10.67%	6
Australia	45	6.00%	3
United Kingdom	260	34.67%	18
Sweden	30	4.00%	3
Netherlands	70	9.33%	4
Germany	100	13.33%	7
Italy	30	4.00%	2
France	60	8.00%	5
Spain	5	0.67%	1
Finland	70	9.33%	5
<b>Total</b>	<b>750</b>	<b>100%</b>	<b>54</b>

**Table 2: Notional Amount of Reference Swaps**

<b>Notional Amount of Reference Swap (€)</b>	<b>Aggregate Notional Amount (€ millions)</b>	<b>Percentage of Reference Portfolio (%)</b>	<b>Number of Reference Swaps</b>
Up to 5,000,000	10	1.3%	2
5,000,000 – 10,000,000	300	40.0%	30
10,000,001 - 15,000,000	-	-	-
15,000,001 - 20,000,000	440	58.7%	22
<b>Total</b>	<b>750</b>	<b>100%</b>	<b>54</b>

**Table 3: Composition of Reference Portfolio by reference to External Rating Agencies Ratings**

<b>S&amp;P Rating</b>	<b>Aggregate Notional Amount (€ million)</b>	<b>Percentage of Reference Portfolio (%)</b>	<b>Number of Reference Swaps</b>
AAA	-	-	-
AA+	-	-	-
AA	40	5.33%	2
AA-	30	4.00%	3
A+	100	13.33%	9
A	190	25.33%	13
A-	150	20.00%	10
BBB+	180	24.00%	12
BBB	30	4.00%	3
Not Rated	30	4.00%	2
<b>Moody's Rating</b>			
Aaa	-	-	-
Aa1	10	1.33%	1
Aa2	-	-	-
Aa3	75	10.00%	6
A1	100	13.33%	6
A2	175	23.33%	14
A3	160	21.33%	10
Baa1	150	20.00%	10
Baa2	30	4.00%	3
Not Rated	50	6.67%	4

**Table 4: Equivalence of External Rating Agencies Ratings**

<b>S&amp;P Rating</b>	<b>Moody's Rating</b>
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3
BBB+	Baa1
BBB	Baa2
BBB-	Baa3



*Table 5: Moody's Industry Categories of Reference Entities*

<b>Industry</b>	<b>Notional Amount (€ millions)</b>	<b>Percentage of Reference Portfolio %</b>	<b>Number of Reference Entities</b>
Aerospace and Defense EU	20	2.67%	1
Automobile EU	50	6.67%	4
Beverage, Food and Tobacco EU	50	6.67%	4
Buildings and Real Estate EU	20	2.67%	1
Chemicals, Plastics, and Rubber EU	50	6.67%	3
Containers, Packaging & Glass EU	40	5.33%	3
Diversified/Conglomerate Manufacturing EU	50	6.67%	3
Electronics EU	20	2.67%	1
Farming & Agriculture EU	20	2.67%	1
Grocery EU	20	2.67%	2
Healthcare, Education & Childcare EU	10	1.33%	1
Insurance EU	10	1.33%	1
Mining, Steel, Iron and Nonprecious Metals EU	10	1.33%	1
Personal Food & Miscellaneous Services EU	20	2.67%	1
Printing, Publishing, Broadcasting EU	30	4.00%	2
Cargo Transport EU	20	2.67%	1
Retail Stores EU	40	5.33%	3
Telecommunications EU	85	11.33%	6
Utilities EU	60	8.00%	6
Automobile US	10	1.33%	1
Banking US	10	1.33%	1
Diversified/Conglomerate Manufacturing US	10	1.33%	1
Diversified Natural Resources, Precious Metals, and Minerals US	20	2.67%	1
Electronics US	20	2.67%	1
Finance US	10	1.33%	1
Oil & Gas US	20	2.67%	1
Retail Stores US	20	2.67%	1
Telecommunications US	5	0.67%	1
<b>Total</b>	<b>750</b>	<b>100%</b>	<b>54</b>

*Table 6: S&P Industry Groups of Reference Entities*

<b>Industry</b>	<b>Notional Amount (€ millions)</b>	<b>Percentage of Reference Portfolio %</b>	<b>Number of Reference Entities</b>
Aerospace & Defense	20	2.67%	1
Automotive	60	8.00%	5
Beverage and Tobacco	30	4.00%	3
Building and Development	20	2.67%	1
Business Equipment & Services	50	6.67%	3
Cable & Satellite Television	10	1.33%	1
Chemical/Plastics	30	4.00%	2
Conglomerates	30	4.00%	2
Containers and Glass Products	30	4.00%	2
Electronics/Electric	20	2.67%	1
Farming/Agriculture	20	2.67%	1
Financial Intermediaries	20	2.67%	2
Food Products	20	2.67%	1
Food/Drug Retailers	20	2.67%	2
Forest Products	10	1.33%	1
Health Care	10	1.33%	1
Industrial Equipment	20	2.67%	1
Insurance	10	1.33%	1
Leisure Goods/Activities/Movies	20	2.67%	1
Nonferrous Metals/Minerals	20	2.67%	1
Oil and Gas	20	2.67%	1
Publishing	20	2.67%	1
Rail Industries	20	2.67%	1
Retailers (Except Food and Drug)	60	8.00%	4
Steel	10	1.33%	1
Telecommunications/Cellular Communications	90	12.00%	7
Utilities	60	8.00%	6
<b>Total</b>	<b>750</b>	<b>100%</b>	<b>54</b>

Table 7: Moody's Industry Categories

	Industry Category
1.	<b>Aerospace and Defence:</b> Major Contractor, Subsystems, Research, Aircraft Manufacturing, Arms, Ammunition
2.	<b>Automobile:</b> Automotive Equipment, Auto-Manufacturing, Auto Parts Manufacturing, Personal Use Trailers, Motor Homes, Dealers
3.	<b>Banking:</b> Bank Holding, Savings and Loans, Consumer Credit, Small Loan, Agency, Factoring, Receivables
4.	<b>Beverage, Food and Tobacco:</b> Beer and Ale, Distillers, Wines and Liquors, Distributors, Soft Drink Syrup, Bottling, Bakery, Mill Sugar, Canned Foods, Corn Refiners, Dairy Products, Meat Products, Poultry Products, Snacks, Packaged Foods, Distributors, Candy, Gum, Seafood, Frozen Food, Cigarettes, Cigars, Leaf/Snuff, Vegetable Oil
5.	<b>Buildings and Real Estate:</b> Brick, Cement, Climate Controls, Contracting, Engineering, Construction, Hardware, Forest Products (building-related only), Plumbing, Roofing, Wallboard, Real Estate, Real Estate Development, REITs, Land Development
6.	<b>Chemicals, Plastics and Rubber:</b> Chemicals (non-agriculture), Industrial Gases, Sulphur, Plastics, Plastic Products, Abrasives, Coatings, Paints, Varnish, Fabricating
7.	<b>Containers, Packaging and Glass:</b> Glass, Fibreglass, Containers made of: Glass, Metal, Paper, Plastic, Wood or Fibreglass
8.	<b>Personal and Non Durable Consumer Products (Manufacturing Only):</b> Soaps, Perfumes, Cosmetics, Toiletries, Cleaning Supplies, School Supplies
9.	<b>Diversified/Conglomerate Manufacturing</b>
10.	<b>Diversified/Conglomerate Service</b>
11.	<b>Diversified Natural Resources, Precious Metals and Minerals:</b> Fabricating, Distribution, Mining and Sales
12.	<b>Ecological:</b> Pollution Control, Waste Removal, Waste Treatment, Waste Disposal
13.	<b>Electronics:</b> Computer Hardware, Electric Equipment, Components, Controllers, Motors, Household Appliances, Information Service, Communication Systems, Radios, TVs, Tape Machines, Speakers, Printers, Drivers, Technology
14.	<b>Finance:</b> Investment Brokerage, Leasing, Syndication, Securities
15.	<b>Farming and Agriculture:</b> Livestock, Grains, Produce, Agricultural Chemicals, Agricultural Equipment, Fertilisers
16.	<b>Grocery:</b> Grocery Stores, Convenience Food Stores
17.	<b>Healthcare, Education and Childcare:</b> Ethical Drugs, Proprietary Drugs, Research, Health Care Centres, Nursing Homes, HMOs, Hospitals, Hospital Supplies, Medical Equipment
18.	<b>Home and Office Furnishings, Housewares, and Durable Consumer Products:</b> Carpets, Floor Coverings, Furniture, Cooking, Ranges
19.	<b>Hotels, Motels, Inns and Gaming</b>
20.	<b>Insurance:</b> Life, Property and Casualty, Broker, Agent, Surety
21.	<b>Leisure, Amusement, Entertainment:</b> Boating, Bowling, Billiards, Musical Instruments, Fishing, Photo Equipment, Records, Tapes, Sports, Outdoor Equipment (camping), Tourism, Resorts, Games, Toy Manufacturing, Motion Picture Production, Theatres, Motion Picture Distribution
22.	<b>Machinery (Non-Agriculture, Non-Construction, Non-Electronic):</b> Industrial, Machine Tools, Steam Generators
23.	<b>Mining, Steel, Iron and Non-Precious Metals:</b> Coal, Copper, Lead, Uranium, Zinc, Aluminium, Stainless Steel, Integrated Steel, Ore Production, Refractories, Steel Mill Machinery, Mini-Mills, Fabricating, Distribution and Sales

24.	<b>Oil and Gas:</b> Crude Producer, Retailer, Well Supply, Service and Drilling
25.	<b>Personal, Food and Miscellaneous</b>
26.	<b>Printing and Publishing:</b> Graphic Arts, Paper, Paper Products, Business Forms, Magazines, Books, Periodicals, Newspapers, Textbooks
27.	<b>Cargo Transport:</b> Rail, Shipping, Railroads, Rail-car Builders, Ship Builders, Containers, Container Builders, Parts, Overnight Mail, Trucking, Truck Manufacturing, Trailer Manufacturing, Air Cargo, Transport
28.	<b>Retail Stores:</b> Apparel, Toy, Variety, Drugs, Department, Mail Order Catalogue, Showroom
29.	<b>Telecommunications:</b> Local, Long Distance, Independent, Telephone, Telegraph, Satellite, Equipment, Research, Cellular
30.	<b>Textiles and Leather:</b> Producer, Synthetic Fibre, Apparel Manufacturer, Leather Shoes
31.	<b>Personal Transportation:</b> Air, Bus, Rail, Car, Rental
32.	<b>Utilities:</b> Electric, Water, Hydro Power, Gas, Diversified
33.	<b>Broadcasting and Entertainment:</b> Recording Industry, Motion Exhibition Theatres, Motion Picture Production and Distribution, Radio, TV, Cable Broadcasting, Broadcasting Equipment

*Table 8: Moody's Ratings and Moody's Rating Factor Mappings*

Moody's Rating	Moody's Rating Factor
Aaa	1
Aa1	10
Aa2	20
Aa3	40
A1	70
A2	120
A3	180
Baa1	260
Baa2	360
Baa3	610
Ba1	940
Ba2	1,350
Ba3	1,766
B1	2,220
B2	2,720
B3	3,490
Caa1	4,770
Caa2	6,500
Caa3	10,000
Ca	10,000

*Table 9: S&P Industry Groups*

1.	<b>Aerospace and defence:</b> Aircraft manufacturer/components, Arms and ammunition
2.	<b>Air transport</b>
3.	<b>Automotive Manufacturers:</b> Parts and equipment, tyre and rubber
4.	<b>Beverage and tobacco</b>
5.	<b>Broadcast radio and television</b>
6.	<b>Brokers/dealers/investment houses</b>
7.	<b>Building and development:</b> Builders, Land development/real estate, REITs
8.	<b>Business equipment and services:</b> Graphic arts, Office equipment/computers, Data processing service bureaus, Computer software
9.	<b>Cable and satellite television</b>
10.	<b>Chemical/plastics:</b> Coatings/paints/varnishes
11.	<b>Clothing/textiles</b>
12.	<b>Conglomerates</b>
13.	<b>Containers and glass products</b>
14.	<b>Cosmetics/toiletries</b>
15.	<b>Drugs</b>
16.	<b>Ecological services and equipment:</b> Waste disposal services and equipment
17.	<b>Electronics/electric</b>
18.	<b>Equipment leasing, Auto leasing/rentals:</b> Commercial equipment leasing, Data processing equipment service/leasing
19.	<b>Farming/agriculture:</b> Agricultural products and equipment, Fertilisers
20.	<b>Financial intermediaries:</b> Bank/thrifts, Finance companies
21.	<b>Food/drug retailers</b>
22.	<b>Food products</b>
23.	<b>Food service:</b> Food service/restaurants, Vending
24.	<b>Forest products:</b> Building materials, Paper products/containers
25.	<b>Health care</b>
26.	<b>Home furnishings:</b> Appliances, Furniture and fixtures, Housewares
27.	<b>Lodging and casinos</b>
28.	<b>Industrial equipment:</b> Machinery, Manufacturing/industrial, Speciality instruments
29.	<b>Insurance</b>
30.	<b>Leisure goods/activities/movies</b>
31.	<b>Non-ferrous metals/minerals:</b> Aluminium producers, Mining (including coal),?Other metal/mineral producers
32.	<b>Oil and gas:</b> Producers/refiners, Gas pipelines
33.	<b>Publishing</b>
34.	<b>Rail industries:</b> Railroads, Rail equipment
35.	<b>Retailers (except food and drug)</b>
36.	<b>Steel</b>
37.	<b>Surface transport:</b> Shipping/shipbuilding, Trucking
38.	<b>Telecommunications/cellular communications</b>
39.	<b>Utilities:</b> Electric, Local gas, Water

**Table 10: Moody's Diversity Score Mappings**

Aggregate Moody's Industry Equivalent Unit Score	Diversity Score	Aggregate Moody's Industry Equivalent Unit Score	Diversity Score	Aggregate Moody's Industry Equivalent Unit Score	Diversity Score	Aggregate Moody's Industry Equivalent Unit Score	Diversity Score	Aggregate Moody's Industry Equivalent Unit Score	Diversity Score
0	0.00	4.05	2.37	8.05	3.53	12.05	4.21	16.05	4.61
0.05	0.10	4.15	2.40	8.15	3.55	12.15	4.22	16.15	4.62
0.15	0.20	4.25	2.43	8.25	3.57	12.25	4.23	16.25	4.63
0.25	0.30	4.35	2.47	8.35	3.60	12.35	4.24	16.35	4.64
0.35	0.40	4.45	2.50	8.45	3.62	12.45	4.25	16.45	4.65
0.45	0.50	4.55	2.53	8.55	3.65	12.55	4.26	16.55	4.66
0.55	0.60	4.65	2.57	8.65	3.67	12.65	4.27	16.65	4.67
0.65	0.70	4.75	2.60	8.75	3.70	12.75	4.28	16.75	4.68
0.75	0.80	4.85	2.63	8.85	3.72	12.85	4.29	16.85	4.69
0.85	0.90	4.95	2.67	8.95	3.75	12.95	4.30	16.95	4.70
0.95	1.00	5.05	2.70	9.05	3.77	13.05	4.31	17.05	4.71
1.05	1.05	5.15	2.73	9.15	3.80	13.15	4.32	17.15	4.72
1.15	1.10	5.25	2.77	9.25	3.82	13.25	4.33	17.25	4.73
1.25	1.15	5.35	2.80	9.35	3.85	13.35	4.34	17.35	4.74
1.35	1.20	5.45	2.83	9.45	3.87	13.45	4.35	17.45	4.75
1.45	1.25	5.55	2.87	9.55	3.90	13.55	4.36	17.55	4.76
1.55	1.30	5.65	2.90	9.65	3.92	13.65	4.37	17.65	4.77
1.65	1.35	5.75	2.93	9.75	3.95	13.75	4.38	17.75	4.78
1.75	1.40	5.85	2.97	9.85	3.97	13.85	4.39	17.85	4.79
1.85	1.45	5.95	3.00	9.95	4.00	13.95	4.40	17.95	4.80
1.95	1.50	6.05	3.03	10.05	4.01	14.05	4.41	18.05	4.81
2.05	1.55	6.15	3.05	10.15	4.02	14.15	4.42	18.15	4.82
2.15	1.60	6.25	3.08	10.25	4.03	14.25	4.43	18.25	4.83
2.25	1.65	6.35	3.10	10.35	4.04	14.35	4.44	18.35	4.84
2.35	1.70	6.45	3.13	10.45	4.05	14.45	4.45	18.45	4.85
2.45	1.75	6.55	3.15	10.55	4.06	14.55	4.46	18.55	4.86
2.55	1.80	6.65	3.18	10.65	4.07	14.65	4.47	18.65	4.87
2.65	1.85	6.75	3.20	10.75	4.08	14.75	4.48	18.75	4.88
2.75	1.90	6.85	3.23	10.85	4.09	14.85	4.49	18.85	4.89
2.85	1.95	6.95	3.25	10.95	4.10	14.95	4.50	18.95	4.90
2.95	2.00	7.05	3.28	11.05	4.11	15.05	4.51	19.05	4.91
3.05	2.03	7.15	3.30	11.15	4.12	15.15	4.52	19.15	4.92
3.15	2.07	7.25	3.33	11.25	4.13	15.25	4.53	19.25	4.93
3.25	2.10	7.35	3.35	11.35	4.14	15.35	4.54	19.35	4.94
3.35	2.13	7.45	3.38	11.45	4.15	15.45	4.55	19.45	4.95
3.45	2.17	7.55	3.40	11.55	4.16	15.55	4.56	19.55	4.96
3.55	2.20	7.65	3.43	11.65	4.17	15.65	4.57	19.65	4.97
3.65	2.23	7.75	3.45	11.75	4.18	15.75	4.58	19.75	4.98
3.75	2.27	7.85	3.48	11.85	4.19	15.85	4.59	19.85	4.99
3.85	2.30	7.95	3.50	11.95	4.20	15.95	4.60	19.95	5.00
3.95	2.33								

## The Reference Swaps – Summary of Terms

The terms of each Reference Swap must be or are assumed to be on the basis of a swap entered into pursuant to an ISDA Master Agreement (Multi-currency – Cross Border) published by the International Swaps and Derivatives Association, Inc., Schedule and Confirmation between the Credit Default Swap Counterparty and its counterparty, and with such Confirmation being based on the sample form of confirmation set out in the Exhibit to the 1999 ISDA Credit Derivatives Definitions (the *Definitions*), which Definitions are incorporated into each Confirmation. Accordingly, each Reference Swap is or is assumed to be on the basis of standard market terms for credit default swap transactions.

The following is a summary of certain provisions applicable to the Reference Swaps, but does not purport to be a full description of the terms of each of the Reference Swaps, which in each case would be governed by the documentation referred to above relating to such transaction. Noteholders are deemed to be conversant with the standard text of the ISDA Master Agreement (Multi-currency – Cross Border) and the Definitions and, in particular, the sample form of confirmation set out in the Exhibit to the Definitions. Capitalised terms used in this section and not defined elsewhere in this Information Memorandum have the meaning given to them in the Definitions.

### General

Under each Reference Swap, the Credit Default Swap Counterparty, as Floating Rate Payer, would sell credit protection to its counterparty, as Fixed Rate Payer, in respect of a Reference Obligation of a Reference Entity. Although the Reference Entity would be specified in the Confirmation, the precise Reference Obligation may not always be specified. If the Credit Default Swap Counterparty sells credit protection in relation to a specified Reference Obligation, the Reference Swap will relate solely to that Reference Obligation (or, in certain limited circumstances, a Substitute Reference Obligation). Otherwise the counterparty will be entitled to select a Reference Obligation to which the Reference Swap would apply, provided that the Reference Obligation satisfies certain criteria selected from a table contained in the Confirmation itself. This selection of a Reference Obligation is made only if and when the Conditions to Payment in relation to such Reference Swap are satisfied.

Any Reference Swap for which a Reference Obligation is not specified at the time when the Reference Swap is entered into will nevertheless specify that the Reference Obligation will be Bond or Loan and will have certain key characteristics, which are the same key characteristics as all Reference Obligations which are specified in a Reference Swap will also have. These characteristics, which are defined and explained in the Definitions, are as follows:

Pari Passu Ranking

Standard Specified Currencies (plus Australian Dollars for Australian Reference Entities only)

Not Contingent

Maximum Maturity: 30 years

Not Bearer

### Payments

Under each Reference Swap, the counterparty will (or will be assumed to) undertake to make periodic payments to the Credit Default Swap Counterparty and, in exchange, the Credit Default Swap Counterparty will make a payment (the Floating Payment) to its counterparty if required to do so following the occurrence of a Credit Event under such Reference Swap (the applicable Credit Events for a Reference Swap will be listed in the Confirmation).

The amount of the Floating Payment will be equal to the Floating Rate Payer Calculation Amount specified in the Confirmation, as in each case Physical Settlement would apply under the Confirmation. It should be noted that even though Physical Settlement would apply to a Reference Swap, the equivalent payment to be made under the Credit Default Swap by the Issuer will continue to be calculated on the basis of Cash Settlement (so that the amount of the relevant Cash Settlement Amount under the Credit

Default Swap will be calculated on the basis of the diminution in the market value of the relevant Reference Obligation) – see "*Description of the Credit Default Swap*".

### **Conditions to Payment**

It will be a condition to the payment obligation under a Reference Swap of the Credit Default Swap Counterparty, among other conditions, that a Notice of Public Available Information has been given, specifying confirmatory information that the relevant Credit Event under such Reference Swap has occurred and that such information is found in at least two Standard Public Sources. The same conditions apply to the Credit Default Swap – see "*Description of the Credit Default Swap*".



## **Description of Banca Commerciale Italiana SpA**

### **General**

BCI is a company incorporated under the laws of Italy and is listed on the Milan Stock Exchange. BCI and its consolidated subsidiaries are engaged in a broad range of banking and financial activities. These activities include taking deposits and granting loans, collection and payment systems, supporting international trade, securities intermediation, merchant banking, capital market services, securities custody and settlement, securities lending, operations in foreign exchange and derivatives, leasing, factoring, asset management, life insurance, supplementary pensions and electronic services.

As of 30 June, 2000 BCI – at the consolidated level - had total assets of Lire 276,745 billion (Lire 241,580 billion as of 31 December, 1999), loans to customers of Lire 137,307 billion (124,404 billion as of 31 December, 1999) and deposits from and others due to customers of Lire 128,334 billion (111,023 billion as of 31 December, 1999). At such date, BCI itself accounted for approximately 79% of the consolidated assets. As of 30 June, 2000, BCI's consolidated network included 1,152 branches in Italy and 700 branches and 25 representative offices in 41 foreign countries (as of 31 December, 1999, the network was comprised of 1,154 branches in Italy and 711 branches and 25 representative offices in 41 foreign countries).

### **Banca Intesa's Stock Swap Public Offering**

BCI is currently controlled by Banca Intesa, as a consequence of the stock swap offered by Banca Intesa for 70% of BCI's ordinary and savings shares which was completed in December 1999. The integration between BCI and Banca Intesa has led to the creation of the largest Italian banking group, in terms of total assets, customer deposits and loans, branch network, asset management and bank-assurance activities. Further information regarding the Banca Intesa Group (the **Group**) is set out below.

On 10 October, 2000 the Boards of Directors of Banca Intesa and BCI approved, conditional on obtaining the mandatory authorisations, a programme for the merger between the two companies, through the absorption of BCI in Banca Intesa, which will adopt a new corporate name resulting from a combination of the current names of the two banks. The composition of Banca Intesa's Board of Directors will be revised to ensure an adequate representation of BCI's directors.

As regards the timing of the merger programme, the Boards of Directors of Banca Intesa and BCI will meet before the end of the current year to approve the merger project, which is expected to be lodged for inspection by the respective shareholders during January 2001. In February 2001, the Boards of Directors will convene Extraordinary Shareholders' Meetings for the approval, conditional on obtaining the mandatory authorisations, of the merger programme and of all related matters.

### **History of BCI**

BCI was established in Milan in 1894, partly with German, Austrian and Swiss capital. Within a short time, it became an important member of the Italian banking system while simultaneously extending its presence abroad. In 1910, together with two French banks, BCI set up Banque Française et Italienne pour l'Amerique du Sud, today Banque Sudameris S.A. ("Banque Sudameris") (of which BCI now owns 99.9%). In 1911, BCI opened its first foreign branch in London, subsequently opening in New York in 1918. In the following decade, BCI extended its presence abroad by establishing affiliated banks in Bulgaria, Hungary, Romania and Poland.

Until the early 1930s, BCI also operated as an investment bank, acquiring participations in industrial companies. In 1933, control over BCI was transferred to Istituto per la Ricostruzione Industriale (IRI) S.p.A., a joint stock company wholly owned by the Ministry of Treasury of the Republic of Italy ("IRI").

In 1936, with the introduction of the Banking Law, BCI became an "ordinary credit institution", taking deposits and granting loans essentially for periods of less than 18 months. In 1937, together with Banco di Roma and Credito Italiano, BCI was designated a "Bank of National Interest," as all three were joint-stock companies with branches in at least thirty Italian provinces. In 1993, following Italy's adoption of the EC's Second Banking Directive, this designation as well as banks' specialisation based on pre-imposed restrictions on the range of operations that could be carried out and their maturity were abolished.

After the Second World War, BCI together with Banco di Roma and Credito Italiano established Mediobanca-Banca di Credito Finanziario S.p.A. ("Mediobanca"), a leading Italian investment bank; in June 2000 BCI disposed of its 8.8% interest in Mediobanca. In the 1960s, BCI accelerated the expansion of its overseas network and, in Italy, acquired control of Banco di Chiavari e della Riviera Ligure S.p.A. ("Banco di Chiavari" of which BCI currently owns 69.62%) and Banca di Legnano S.p.A. ("Banca di Legnano", of which BCI currently owns 55%). In the early 1980's, BCI established Banca Commerciale Italiana of Canada Ltd. ("BCI Canada") and Banca Commerciale Italiana (Suisse) ("BCI Suisse"), both wholly owned, and acquired full control of Société Européenne de Banque S.A. (Luxembourg) ("SEB").

In 1994, IRI sold its controlling interest in BCI as part of the Italian Government's privatisation programme.

By the end of 1998, BCI became the controlling shareholder of the following financial institutions: (i) Cassa di Risparmio di Biella e Vercelli ("Biverbanca"), GenerComit Gestione and GenerComit Distribuzione S.I.M. in the domestic market; (ii) Banco America do Sul, Sao Paulo, in the Latin America market and (iii) Central-European International Bank, Budapest, in the East-European market.

In 1999, BCI acquired the controlling interest in Banco Wiese Ltd., the number two Peruvian bank, through its Peruvian subsidiary Banco de Lima Sudameris.

In January 2000, BCI acquired 66.3% of Privredna Banka Zagreb (PBZ), the second largest bank in Croatia in terms of total assets. In March 2000 BCI – through Banque Sudameris Paris – completed the purchase of Argentine savings bank Banco Caja de Ahorro, which will be merged with Banco Sudameris Argentina thus creating the eighth largest bank in Argentina in terms of deposits and the eleventh largest based on assets.

### **Domestic Commercial Banking**

**The Network:** BCI's domestic commercial banking activities are principally carried out by BCI itself, Banca di Legnano, Banco di Chiavari and Biverbanca.

The Italian market share of BCI itself and its three Italian banking subsidiaries in 1999 was 4.9% of loans to domestic customers and 4.4% of domestic customers' deposits (including bonds issued and reverse repurchase agreements).

**Corporate Banking:** BCI provides a full range of corporate banking services, investment banking and other financial services to Italian companies, foreign corporations operating in Italy and Italian public sector entities. Corporate banking services provided include the acceptance of deposits, overdraft facilities, bills and receivables discounting, export/import financing, advances on contracts and invoices, medium and long term loans, leasing, foreign exchange spot and forward transactions and money market instruments, cash management and payroll and other electronic payment systems.

BCI is one of the major players in Italian corporate banking. At 31 December 1999, corporate loans represented approximately 85% of the total loans of BCI itself and deposits of corporate customers represented approximately 40% of its total deposits. BCI has nearly 235,000 corporate customers when its three regional banks are also taken into account.

**Retail Banking:** BCI provides a full range of banking services to its retail customers, including checking and savings accounts, certificates of deposit, consumer loans, overdraft facilities, mortgage loans, credit cards, utility bills payment and automated banking services (ATMs and POSs). In addition, BCI and its

Italian banking and financial subsidiaries offer a whole range of investment banking operations, including securities advisory, brokerage, custody and administration services, several types of mutual funds, management of individual fiduciary accounts and insurance products and annuities.

BCI is one of Italy's significant institutions in retail banking. At 31 December 1999, retail loans represented approximately 15% of BCI's total loans of BCI itself and were principally composed of overdraft facilities, mortgage loans and consumer loans. At the same date, deposits from retail customers represented approximately 60% of its total customers' deposits.

BCI has nearly 3.4 million retail customers when its three regional banks are also taken into account.

Italy's retail banking market has a large proportion of customer funds invested in securities, fiduciary security accounts and mutual funds, rather than in bank deposits. As BCI has traditionally been a major intermediary in the Italian securities market, the volume of securities held in custody as of 31 December 1999 amounted to Lire 269,957 billion.

### **International Commercial Banking**

BCI conducts its international operations through a variety of units, including direct foreign branches, representative offices, majority owned subsidiaries and affiliated or associated companies, depending on the characteristics of each individual foreign market and the type of activities BCI intends to conduct. As of 31 December 1999, BCI operated through 14 foreign branches or agencies located in China, Germany, Grand Cayman, Japan, Singapore, Spain, the United Arab Emirates, the United Kingdom and the United States and 19 representative offices located in Argentina, Australia, Belgium, China, the Czech Republic, Egypt, Greece, India, Iran, Lebanon, Mexico, the Netherlands, Poland, Portugal, Russia, South Korea, Taiwan, Turkey and Venezuela.

BCI also operates abroad through its wholly owned subsidiaries, the most important of which is Banque Sudameris, a Paris-based bank holding company, which as of 31 December 1999 operated a network of 645 branches (including the branches of its subsidiaries) in 12 countries (Argentina, Brazil, Colombia, France, Chile, Grand Cayman, Paraguay, Panama, Peru, the Principality of Monaco, Uruguay and the United States) and 6 representative offices (located in Colombia, Germany, Japan, Peru, Spain and the United States).

In addition, as of 31 December, 1999 BCI owned Central-European International Bank, which operates 33 branches in Hungary, specialising in financial services to corporate customers; BCI Suisse, which operates 3 branches in Switzerland, mainly active in the field of private banking, financial consulting and brokerage; Banca Commerciale Italiana (France) S.A., which operates one branch in Paris and focuses on corporate banking and financial services relating to Italian-French trade; BCI Canada, which operates 13 branches in Canada, specialising in commercial banking with both mid-sized corporate and retail customers; SEB, which operates one branch in Luxembourg and focuses on private banking and the management of holdings for Italian and international customers; Banca Commerciale Italiana (Ireland) and Comit Investments (Ireland), which provide financial services, including securitisation of trade receivables on behalf of major international customers.

### **Asset Management**

BCI is one of Italy's leaders in asset management services, providing a wide range of diversified investments. The asset management activity is currently carried out by BCI itself and by other subsidiaries both in Italy and abroad, among which the most significant is Comit Asset Management S.G.R., formerly named GenerComit Gestione.

As of 31 December 1999, the total assets managed amounted to over Lire 94,000 billion, net of Lire 5,800 billion of banc-assurance activities and of Lire 14,000 billion invested in intercompany funds through individual portfolio management.

## **Insurance**

BCI operates in the field of life insurance through AssiBa-Società di Assicurazioni S.p.A. ("AssiBa"), which is a joint venture between BCI (50%) and Assicurazioni Generali S.p.A. (50%). In the 1999 financial year, Assiba collected premiums for over Lire 2,730 billion and administered a number of around 284,000 policies.

## **Domestic and International Investment Banking**

BCI's domestic and international investment banking activities include securities underwriting, market-making and brokerage, credit derivatives, derivatives trading activity, loan syndication, corporate finance advisory services and merchant banking. These activities benefit from the origination and placement capability of BCI's world-wide network of offices and are primarily conducted by the Head Office and some selected domestic and international subsidiaries.

BCI is one of the largest underwriters and market-makers in Italian Government securities and is a primary dealer in such securities (*Mercato Telematico dei Titoli di Stato - "MTS"*) and in the Italian futures market (*Mercato Italiano dei Futures - "MIF"*). BCI also holds a seat on the London International Financial Futures Exchange ("LIFFE"). BCI also acts as a major broker of non-government bonds, eurobonds and equity securities.

BCI has a leadership position in the credit derivatives market: in the special table issued at the end of June 2000 by the *Office of Comptroller of the Currency* ("OCC") it ranked second in terms of sale of protection and third in terms of purchase of protection and of total outstanding volumes in the USA and ranked first among all non-U.S. banking institutions.

BCI provides financial advisory services in connection with mergers and acquisitions, corporate valuations and restructurings and management and leveraged buy-outs and makes investments in industrial and commercial corporations.

## **BCI Financial Summary**

The following table is extracted from the Annual Report of BCI and its subsidiaries for the year ended 31 December 1999 and from the Financial Statements for the semester ended 30 June 2000. All figures set forth data relative to the consolidated financial position of BCI as of 31 December 1999 and 30 June 2000.

## Reclassified Consolidated Balance Sheet

### Assets

(millions of euro)	30.06.2000	30.06.1999 (*)	Changes (absolute)	Changes (%)	31.12.1999 (*)
1. Cash and deposits with central banks and post office	714	671	43	6.4	602
2. Loans:					
- Customer loans	70,913	59,482	11,431	19.2	64,249
- Due from banks	28,969	26,237	2,732	10.4	25,148
3. Trading securities	23,079	18,740	4,339	23.2	18,070
4. Investments:					
a) securities	3,902	3,627	275	7.6	3,860
b) equity investments	1,106	1,098	8	0.8	1,349
c) fixed and intangible assets	1,867	1,856	11	0.6	1,906
5. Goodwill in BCI consolidated companies	511	384	127	33.1	516
6. Goodwill in other equity investments	235	23	212	-	21
7. Other asset items	11,630	8,874	2,756	31.0	9,044
<b>Total Assets</b>	<b>142,926</b>	<b>120,992</b>	<b>21,934</b>	<b>18.1</b>	<b>124,765</b>

### Liabilities

(millions of euro)	30.06.2000	30.06.1999 (*)	Changes (absolute)	Changes (%)	31.12.1999 (*)
1. Deposits:					
- Customer deposits	50,066	42,291	7,775	18.4	43,792
- Other due in securities	16,212	13,511	2,701	20.0	13,546
- Due to banks	52,883	44,074	8,809	20.0	47,118
2. Specific allowances	1,679	1,188	491	41.3	1,287
3. Other liabilities	12,758	11,714	1,044	8.9	10,168
4. Allowances for general credit risks	11	3	8	-	11
5. Subordinated debt	2,658	1,730	928	53.6	2,427
6. Perpetual subordinated debt	929	926	3	0.2	937
7. Minority interests	513	712	-199	-28.0	533
8. Shareholders' equity:					
- Share capital and reserves	4,714	4,527	187	4.1	4,546
- Negative consolidation differences	61	61	-	0.4	61
- Negative differences of net equity	-	-	-	-3.2	-
- Net profit (minorities excluded)	442	255	187	73.5	339
<b>Total Liabilities</b>	<b>142,926</b>	<b>120,992</b>	<b>21,934</b>	<b>18.1</b>	<b>124,765</b>

Guarantees and commitments (#)	75,304	49,199	26,105	53.1	55,788
Securities in custody and administration	192,312	191,379	933	0.5	162,817

(\*) Restated for comparison purposes.

(#) Credit derivatives included.

*Reclassified Consolidated Profit and Loss Account*

(millions of euro)	1 <sup>st</sup> half of 2000	1st half of 2000 Extraordinary components	1 <sup>st</sup> half of 2000 Ordinary components	1st half of 1999 of 1999 (*)	Changes Absolute	Changes %
10. Interest income	3,792	-	3,792	3,701	91	2.5
20. Interest expense	-2,759	-	-2,759	-2,555	204	8.0
30. Dividends and other income	798	632	166	49	749	-
Profit from equity investments accounted for by the net equity method	42	-	42	8	34	
<b>Net interest income</b>	<b>1,873</b>	<b>632</b>	<b>1,241</b>	<b>1,203</b>	<b>670</b>	<b>55.7</b>
40. Commission income	875	-	875	804	71	8.8
50. Commission expense	-101	-	-101	-75	26	34.5
<b>Net Commissions</b>	<b>774</b>	<b>-</b>	<b>774</b>	<b>729</b>	<b>45</b>	<b>6.2</b>
60. Profit from trading activities	133	-	133	172	-39	-22.5
70. Other operating income	134	-	134	178	-44	-24.6
110. Other operating expense	-65	-2	-63	-66	-1	-0.5
<b>Net operating income</b>	<b>2,849</b>	<b>630</b>	<b>2,219</b>	<b>2,216</b>	<b>633</b>	<b>28.6</b>
80. General and administrative expenses:						
- personnel expenses	-866	-	-866	-805	61	7.6
- other general and administrative expenses	-530	-	-530	-483	47	9.7
90. Depreciation and amortization of fixed and intangible assets	-197	-	-197	-171	26	14.7
<b>Operating costs</b>	<b>-1,593</b>	<b>-</b>	<b>-1,593</b>	<b>-1,459</b>	<b>134</b>	<b>9.1</b>
<b>Net operating profit</b>	<b>1,256</b>	<b>630</b>	<b>626</b>	<b>757</b>	<b>499</b>	<b>66.1</b>
100. Provision for risks and charges	-78	-	-78	-27	51	188.2
120. Write-down of loans and provisions for guarantees and commitments	-366	-	-366	-479	-113	-23.3
130. Write-up of loans and allowances for guarantees and commitments	95	-	95	52	43	84.1
140. Provisions for general credit risks	-	-	-	-1	-1	-60.8
150. Write-down of financial investments	-11	-	-11	-17	-6	-36.6
160. Write-up of financial investments	1	-	1	3	-2	-57.2
<b>Profit before non-recurring items and income taxes</b>	<b>897</b>	<b>630</b>	<b>267</b>	<b>288</b>	<b>609</b>	<b>211.7</b>
200. Non-recurring profit/losses	-42	-207	165	258	-300	-116.1
<b>Profit before income taxes</b>	<b>855</b>	<b>423</b>	<b>432</b>	<b>546</b>	<b>309</b>	<b>56.6</b>
240. Income taxes for the period	-471	-233	-238	-262	209	79.7
250. Profit/losses for the period pertaining to minorities	58	45	13	-29	87	-
<b>Net profit (minorities excluded)</b>	<b>442</b>	<b>235</b>	<b>207</b>	<b>255</b>	<b>187</b>	<b>73.5</b>

(\*) Restated for comparison purposes

## **The Banca Intesa Group**

### **General**

The Group operates, through its various banks and insurance companies, in a wide range of business areas in the fields of banking and finance. As a result of rapid growth in recent years, including the acquisition of BCI, the Group is now the largest Italian banking group in terms of total assets, with Lire 590,000 billion in assets at the end of 1999. It also ranks as one of the leading banks at a national level in all of the business areas in which it is involved; in customer deposits and loans, handling volumes of Lire 330,000 billion and Lire 291,000 billion respectively in 1999, as well as in industrial loans, securities brokerage, factoring, individual and collective asset management, the production and sale of life insurance products and leasing.

The Group has an extensive domestic customer base, particularly in retail (with around ten million customers) and in corporate. The Group has strong roots in its territory with the considerable market leverage provided by more than 3,600 branches in Italy and a leadership role in some of the wealthiest and most dynamic parts of the country (for example Lombardy, the North-East and Emilia Romagna).

### **Banking Services**

In addition to BCI, the Group comprises CARIPLO-Cassa di Risparmio delle Provincie Lombarde S.p.A., Banca Ambrosiano Veneto (Ambroveneto), CARIME, Cassa di Risparmio di Parma e Piacenza and Banca Popolare FriulAdria, as well as ten other smaller banks and Mediocredito Lombardo, which is the Group's principal participant in the field of industrial loans. With more than 3,600 branches in all (13.5% of the national total), the Group has the most widespread distribution network in Italy and a market share in Italy of 18% of deposits and 17% of loans, in each case larger than any other Italian banking group.

### **Securities Brokerage**

In addition to BCI itself, the Group also operates in this area through the Caboto group of companies. In total the Group has overall market shares of 10% in the equity market (MTA), 8% in the wholesale government bond market (MTS) and 11% in the retail government and corporate bond market (MOT). The Group is also active in advisory functions, assisting its customers in the placement of shares and debt securities, structuring syndicated loans, corporate finance and merchant banking.

### **Asset Management**

The Group has a market share in this field of 21%, which is the highest in Italy. In addition to the activities of BCI and its subsidiaries, the Group acts principally through Intesa Asset Management SGR, the company created by amalgamating Fondigest (ex-CARIPLO), and La Centrale Fondi and Caboto Gestioni (both ex-Ambroveneto). The Group now has Lire 212,000 billion of assets under management in around 100 different funds. Including managed portfolios, total assets under management amount to nearly Lire 300,000 billion.

### **Insurance**

In addition to BCI's activities referred to above, the Group offers insurance services through its subsidiary Carivita as well as through marketing agreements with independent insurance companies. During 1999, the Group collected almost Lire 6,400 billion of gross life insurance premiums, giving it around a 9% share of the national market.

### **Group Financial Summary**

The following table is extracted from the Financial Statements of the Group for the half year ended 30 June, 2000. All figures set forth data relative to the consolidated financial position of the Group as of 30 June, 2000. Data relative to the consolidated financial position as of 31 December, 1999 have been restated for comparison purposes to take into account the acquisition of BCI.

*Reclassified Consolidated Balance Sheet*

Financial highlights	30/6/2000		31/12/1999		30/6/1999		changes	
	itl (bln)	eur (mln)	itl (bln)	eur (mln)	itl (bln)	eur (mln)	31/12/99	30/6/99
<b>Balance Sheet</b>								
Loans to customers	337,980	174,552	314,830	162,596	297,096	153,437	7.4%	13.8%
Securities	123,701	63,886	117,431	60,648	133,291	68,839	5.3%	-7.2%
including Investment portfolio	25,692	13,269	27,024	13,957	21,542	11,126	-4.9%	19.3%
<b>Total Assets</b>	643,674	332,430	591,880	305,681	602,266	311,044	8.8%	6.9%
Direct customer deposits	352,665	182,136	339,895	175,541	337,997	174,561	3.8%	4.3%
including Subordinated liabilities	17,909	9,249	16,604	8,575	13,326	6,882	7.9%	34.4%
Indirect customer deposits	627,954	324,311	582,470	300,821	562,262	290,384	7.8%	11.7%
including Managed funds	296,005	152,874	294,034	151,856	281,556	145,412	0.7%	5.1%
Customer Deposits under administration	980,619	506,447	922,365	476,362	900,259	464,945	6.3%	8.9%
Net interbank position (debt)	(83,480)	(43,114)	(75,417)	(38,950)	(63,069)	(32,572)	10.7%	32.4%
Shareholders' equity (1)	20,637	10,658	17,975	9,283	17,953	9,272	14.8%	15.0%
<b>Statement of income</b>								
Interest Margin	7,226	3,732	10,992	5,677	5,721	2,955		26.3%
Net Commissions	4,120	2,128	7,380	3,811	3,632	1,876		13.4%
Net interest and other banking income	11,943	6,168	19,867	10,260	10,396	5,369		14.9%
Operating costs	-7157	-3696	-14390	-7432	-6948	-3588		3.0%
including Personnel expenses	-4025	-2079	-7930	-4096	-3962	-2046		1.6%
Operating margin	4786	2472	5477	2829	3448	1781		38.8%
Income (Loss) from operating activities	3371	1741	2013	1040	1734	896		94.4%
Net income (loss) for the period	1514	782	2108	1089	1351	698		12.1%

(1) Excluding net income for the year and 1999 provisions to the reserve for general banking risks;



<b>Economic and financial ratios %</b>	<b>30/6/2000</b>	<b>31/12/1999</b>	<b>30/6/1999</b>	<b>31/12/99</b>	<b>30/6/99</b>
<i>Balance Sheet Ratios</i>					
Loans to customers/total assets	52.5	53.2	49.3		
Securities / Total Assets	19.2	19.8	22.1		
Direct customer deposits/total assets	54.8	57.4	56.1		
Managed funds/indirect customer deposits	47.1	50.5	50.1		
<i>Statement of income ratios</i>					
Net commissions/net interest and other banking income	34.5	37.1	34.9		
Operating costs/net interest and other banking income	59.9	72.4	66.8		
Net income for the year/ total assets (ROA) (2)	0.2	0.4	0.2		
Net income for the year/ shareholders' equity (ROE)	7.2	13.0	7.6		
<i>Risk ratios</i>					
Net non-performing loans/total loans	3.8	3.9	4.3		
Total adjustments/gross non-performing loans	51.3	50.2	48.5		
<b>Other information</b>					
Staff ( <i>number</i> )	73,451	73,861	74,933	-410	-1,482
Branches ( <i>number</i> )	4,393	4,374	4,331	19	62
<i>including Abroad</i>	718	725	733	-7	-15

(2) The change in the reserve for general banking risks was added to net income for the period.

## **Risk-based Capital Requirements and Solvency Ratios**

### **Credit Risk Ratios**

Capital adequacy requirements applicable to BCI and Banca Intesa are regulated principally by EC Directive 89/299 (as amended), EC Directive 89/647, the Basle Committee's Risk Based Capital Guidelines, the Law Decree 92/87, the CICR Regulation as of 12 January 1994 and the regulations issued by the Bank of Italy in February 1994, June 1996, March 1997 and April 1999. According to such regulations, Italian banking groups are required to have a ratio of total capital to risk-weighted assets of at least 8% on a consolidated basis and Italian banks belonging to a banking group are required to have a ratio of total capital to risk-weighted assets of at least 7% on a stand-alone basis; whereas Italian banks not belonging to a banking group are required to have a ratio of at least 8%. At least half of the required capital must consist of Tier 1 capital ("core capital"), and the rest may consist of Tier 2 capital ("supplementary capital"). Core capital includes paid-in share capital, capital reserves, retained earning reserves and a special reserve denominated "*fondo per rischi bancari generali*", less own shares owned by the bank, goodwill, intangible assets and losses carried forward and incurred in the fiscal year. Tier 2 capital includes asset revaluation reserves, subordinated debt, hybrid quasi-equity instruments (such as non-redeemable loans) and other positive items, less net losses on securities and other negative items. There are also limitations on the maximum amount of supplementary capital. To calculate risk-weighted assets, assets and off-balance sheet items are weighted in relation to the nature of the debtors, the country risk and the guarantees and securities collateral received.

### **Market Risk Ratios**

As to the weighting of market risks implicit in securities, derivatives and foreign exchange transactions, the position is regulated mainly by EC Directive 93/6 and by further regulations issued by the Bank of Italy in June 1996 and April 1999. According to these regulations, Italian banks must satisfy further minimum capital requirements in proportion to the securities portfolio risk, which consists of position risk (general and specific), settlement risk and counterparty risk, as well as to the exchange risk involved in their total foreign currency exposure.

The methodology used to define the capital requirements is based on the so-called "block-building approach", which identifies different capital requirements for different risks categories.

The sum of the credit and market risks' requirements constitutes the minimum capital that Italian banks must comply with in order to cope with the various forms of business risk.

### **Banca Intesa Group Solvency Ratio as per credit and market risks' requirements**

As of 30 June 2000, shareholders' equity pertaining to the Group amounted to €10.6 billion (€9.2 billion as of 31 December 1999) and total capital as defined according to supervisory requirements amounted to €20.1 billion (€18.6 billion as of 31 December 1999) of which €13.5 billion as Tier 1 capital (€12.2 billion as of 31 December 1999), €7.3 billion as Tier 2 Capital (€6.9 billion as of 31 December 1999) and €0.7 billion (€0.5 billion as of 31 December 1999) as a deduction connected mainly to investments in non-consolidated banks and financial companies, with a solvency ratio (including both credit and market risk) in line with supervisory requirements.

## Description of the Credit Default Swap

The Credit Default Swap will be entered into on the Closing Date between the Credit Default Swap Counterparty and the Issuer. A copy of the Credit Default Swap is available for inspection during normal business hours at the office of the Paying Agent in Dublin. Capitalised terms used in this section and not defined elsewhere in this Information Memorandum have the meanings given to them in the Credit Default Swap. The Credit Default Swap is entered into pursuant to an ISDA Master Agreement (Multi-currency - Cross Border) published by the International Swaps and Derivatives Association, Inc., Schedule and confirmation to be dated as of the Closing Date between the Issuer and the Credit Default Swap Counterparty, all of which are expressed to be governed by English law.

The following description is a summary only of certain aspects of the Credit Default Swap and is subject in all respects to the terms of the Credit Default Swap. Noteholders are deemed to have notice of the terms of the Credit Default Swap.

### Payment by the Credit Default Swap Counterparty

Under the terms of the Credit Default Swap, the Credit Default Swap Counterparty is obliged to make quarterly payments in Euros on 12 March, 12 June, 12 September and 12 December in each year (each a *Fixed Rate Payer Payment Date*), which shall be the same dates as Interest Payment Dates under the Notes. The payment will be equal to 3.6371 per cent. per annum of €70,875,000 or of such lesser amount as shall equal to the Principal Amount Outstanding of the Notes (the *Credit Default Swap Notional Amount*) at the end of each quarter, provided that in the event that the Credit Default Swap Counterparty's S&P short-term rating falls below A-1 or its Moody's short-term rating falls below P-1 or either such rating is withdrawn, the payment shall thereafter be made at the commencement of each quarter. Also if, in the case of such downgrading or withdrawal of rating, BCI, in its capacity of Deposit Bank, is replaced as Deposit Bank and its replacement pays a different rate of interest on the Cash Deposit to that previously payable under the Deposit Agreement, each quarterly payment by the Credit Default Swap Counterparty shall thereafter be increased or decreased respectively by a rate per annum equal to the reduction in such rate or, as the case may be, increase in such rate.

The amount of these quarterly payments has been established at a level to generate for the Issuer sufficient to fund its payment of the marginal percentage rate per annum above EURIBOR payable on the Notes (on the basis that EURIBOR itself will be funded by interest payable by the Deposit Bank under the Deposit Agreement). If the Issuer is required to make payments to the Credit Default Swap Counterparty as referred to below, these payments may result in the reduction of the Principal Amount Outstanding of the Notes or some of them. If, as a result, the quarterly payments shall exceed the amount required by the Issuer to fund the marginal percentage rate per annum above EURIBOR payable on the Notes, the quarterly payments shall thereafter be reduced by the amount of such excess.

In addition, the Credit Default Swap Counterparty will pay to the Issuer any additional amounts so as to ensure that the Issuer can meet its administrative costs. The Credit Default Swap Counterparty will be required to make a gross-up payment upon the occurrence of certain taxation events as provided in the ISDA Master Agreement referred to above.

### Payment by the Issuer

On each Cash Settlement Date (as defined in the Credit Default Swap), each of which is also an Interest Payment Date under the Notes, the Issuer will be required to make payments of Cash Settlement Amounts to the Credit Default Swap Counterparty in relation to any Reference Swap in the Reference Portfolio in respect of which a Credit Event has occurred and in respect of which the Credit Default Swap Counterparty has served notice of such to the Issuer (a *Credit Event Notice*), provided that an independent confirmation that such Credit Event has occurred and that such Reference Swap was validly included in the Reference Portfolio in accordance with the eligibility criteria has been received by the Issuer and the Trustee.

A Credit Event occurs in respect of a Reference Swap upon the occurrence in relation to the relevant Reference Entity and in relation to Borrowed Money of one or more of the following (all as defined in the Definitions): Bankruptcy, Failure to Pay (with a Payment Requirement of USD1,000,000), Obligation Acceleration, Repudiation/Moratorium or, except where the relevant Reference Entity is based in the United States, Restructuring (with a Default Requirement of USD10,000,000).

The Reference Swap Credit Event Amount (the *Reference Swap Credit Event Amount*) in respect of any Reference Swap, which is the amount payable by the Issuer to the Credit Default Swap Counterparty in respect of such Reference Swap where a Credit Event Notice has been served, will be calculated by BCI (in its capacity as the *Calculation Agent*) on the basis of market quotations determined in accordance with the standard procedures described in the 1999 ISDA Credit Derivatives Definitions on the date which is between 60 and 95 calendar days after the date the Issuer is given the Credit Event Notice, being two Business Days after the Credit Default Swap Counterparty specifically identifies the relevant Reference Obligation by written notice to the Issuer. If the determination cannot be made due to the lack of available quotations required in accordance with these procedures, the valuation of the Reference Obligation will be made by an Independent Appraiser, being a firm of accountants of internationally recognised repute in accordance with the detailed provisions of the Credit Default Swap. The Calculation Agent will then calculate the ratio by which the value of the Reference Obligation to which the relevant Reference Swap relates has declined. The resulting ratio is applied against the Euro notional amount of the Reference Swap to obtain the diminution in the market value of such Reference Obligation (that is, the Reference Swap Credit Event Amount). The Cash Settlement Amount payable on each Cash Settlement Date will be calculated on the basis of the Reference Swap Credit Event Amounts (in respect of each Reference Swap which becomes subject to a Credit Event and in respect of which a Credit Default Notice has been served) in respect of the relevant Calculation Period as described above.

The Issuer will fund the payment of the Cash Settlement Amounts from amounts standing to the credit of the Issuer Account (the *Issuer Account Surplus*) or, to the extent that the Issuer Account Surplus is insufficient from the Cash Deposit. An amount equal to the Cash Settlement Amount (less any portion of such Cash Settlement Amount paid out of the Issuer Account Surplus as aforesaid) will be applied firstly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class D Notes until such Principal Amount Outstanding is reduced to zero, secondly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class C Notes until such Principal Amount Outstanding is reduced to zero, thirdly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class B Notes until such Principal Amount Outstanding is reduced to zero and fourthly, *pro rata* and *pari passu* in reduction of the Principal Amount Outstanding of the Class A Notes until such Principal Amount Outstanding is reduced to zero.

Any Reference Swap which has been subject to a Credit Event and in relation to which a Credit Event Notice has been served and the relevant Reference Obligation has been valued in accordance with the above provisions shall cease to form part of the Reference Portfolio as of the Cash Settlement Date immediately following such valuation.

The Calculation Agent will notify the Issuer and the Trustee in writing of the amount of any payments to be made by the Issuer under the Credit Default Swap as promptly as practicable following the determination thereof, and the Trustee will notify each Noteholder of each relevant Class, not later than the Business Day following the related Cash Settlement Date, of the amount of such payment and the relevant Principal Amount Outstanding being reduced in connection with such payments.

The parties to the Credit Default Swap specifically acknowledge that the obligation of the Issuer to make payments to the Credit Default Swap Counterparty is not contingent upon the Credit Default Swap Counterparty suffering any loss, or being obliged to make any payment, or making any payment under a Reference Swap or in respect of a Reference Obligation as a result of the occurrence of a Credit Event. The Issuer will not be absolved from any obligation to make a payment under the Credit Default Swap by reason of any matter affecting any Reference Swap (including, without limitation, the validity or enforceability thereof), Reference Obligation or Reference Entity.

## Termination of the Credit Default Swap

Unless previously terminated, the Credit Default Swap will terminate simultaneously (i) with the payment in full (or reduction to zero) in accordance with the Terms and Conditions of the Notes of the Principal Amount Outstanding of the Notes and interest accrued thereon and all other amounts (if any) payable in respect of the Notes or (ii) upon the Notes becoming redeemable prior to their maturity date, including as a result of certain tax events described in Condition 3.4 of the Notes provided that the Credit Default Swap Counterparty shall have the right, but not the obligation, to pay such additional amounts to the Issuer so as to ensure that the Issuer is able to make payments to the Noteholders as if the events set out in Condition 3.4 of the Notes had not occurred.

If not previously terminated, the Credit Default Swap will terminate on 12 December, 2005.

Either party to the Credit Default Swap may terminate the Credit Default Swap upon the occurrence of certain Events of Default and Termination Events including:

- (a) a failure on the part of the other party to make payment when due and payable under the Credit Default Swap and such failure is not remedied within 3 Business Days after notice of such failure is given to such party;
- (b) failure by the other party to comply with the terms of the Credit Default Swap unless remedied within 30 calendar days after notice of such failure is given to such party;
- (c) any representation made or deemed to be repeated by the other party under the Credit Default Swap proves to have been incorrect or misleading in any material respect when made or repeated or deemed to be repeated;
- (d) certain insolvency events occur in relation to the other party;
- (e) certain tax related events.

Upon the occurrence of any circumstance that would enable the Issuer to terminate the Credit Default Swap, the Trustee as chargee of the rights and interests of the Issuer under the Credit Default Swap will have the right to and, if directed by an Extraordinary Resolution of the most senior Class of Notes then outstanding, will terminate the Credit Default Swap.

In addition, the Credit Default Swap Counterparty shall be entitled to terminate the Credit Default Swap on any Fixed Rate Payment Date falling on or after 12 December, 2002 if it determines in its discretion, but acting in good faith, that there has been, or it is reasonably anticipated that there will be, a change in any law, regulation, requirement or guideline applicable to the Credit Default Swap Counterparty (or in any interpretation thereof) which it reasonably anticipates will result in it or its affiliates incurring costs (including those associated with the maintenance of capital) and/or liabilities which the Credit Default Swap Counterparty certifies were not anticipated by it when entering into the Credit Default Swap.

## Payments on Termination of the Credit Default Swap

Notwithstanding a termination of the Credit Default Swap, the Issuer will remain obligated to pay the Cash Settlement Amounts in respect of any Reference Swap which becomes subject to a Credit Event and in respect of which a Credit Event Notice is served on or before the Termination Date of the Credit Default Swap. Any payments to be made by the Issuer in respect of any such Reference Swap shall be made on the Cash Settlement Date immediately following the final valuation date in respect of such Reference Swap. Upon a termination of the Credit Default Swap other than on a Fixed Rate Payer Payment Date, the Credit Default Swap Counterparty shall be obliged to pay to the Issuer a *pro rata* portion of the quarterly payment that would, but for such termination, have been due on the next following Fixed Rate Payer Payment Date, or if the Credit Default Swap Counterparty has paid the quarterly payment in respect of the current Calculation Period at the commencement of such period (as

described above), the Credit Default Swap Counterparty shall be entitled to be repaid a *pro rata* portion of the quarterly payment made by it at the commencement of such period.

Otherwise than as set out in the above paragraph, no payments are required to be made by either the Issuer or the Credit Default Swap Counterparty on a termination of the Credit Default Swap.

### **Additional Payments**

BCI will pay to the Issuer any additional amounts so as to ensure that the Issuer can meet its administrative costs.

### **Substitution**

Reference Swaps may be substituted up to and including 12 April, 2001 as described under "*Summary – Substitution Rights*".

### **Quarterly Reporting**

On each quarterly Reporting Date (except for the first Reporting Date), being the Closing Date and thereafter each date two Business Days prior to each Fixed Rate Payer Payment Date, the Calculation Agent will provide a report showing details of the Credit Event Notices (if any) delivered since the last report, the Reference Swap Notional Amount for Reference Swaps in respect of which a Credit Event has occurred and the Credit Default Swap Counterparty has served a Credit Event Notice and calculations relating to the payments to be made by the Issuer under the Credit Default Swap including the Cash Settlement Amount for the Calculation Period to which such report relates and a revised table showing updated details in respect of the Reference Portfolio at such date. This will be available to Noteholders.

## The Issuer

### General

The Issuer was incorporated in Ireland (with registered number 335980) on 30 November, 2000 as a public company limited by shares under the Irish Companies Acts 1963 to 1999. The authorised share capital of the Issuer is €40,000 divided into 40,000 ordinary shares of €1 each, all of which have been issued at par, are fully paid and are held, directly or through its nominees, by SFM Corporate Services Limited (the *Share Trustee*) under the terms of a trust established under English law by a declaration of trust dated 4 December, 2000 and made by the Share Trustee in favour of the INSEAD Trust for European Management Education or other charities with management education as their object. The registered office of the Issuer is at 2 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland. The Issuer has no subsidiaries or subsidiary undertakings.

BCI has no legal or beneficial ownership in the Issuer and has no control or influence over its business or affairs.

### Directors and Secretary

The Directors of the Issuer are:

Adrian J. Masterson, financial adviser, of 11 Percy Place, Dublin 4;  
John Walley, financial services consultant, of 6<sup>th</sup> Floor, Block 3, Harcourt Centre, Dublin 2.

The Directors have been nominated under the terms of the Corporate Officers Agreement. Mr. Masterson and Mr. Walley are both directors of the Corporate Officers Provider.

The initial company secretary of the Issuer is HMP Secretarial Limited, but with effect from the Closing Date the company secretary will be AIB International Financial Services Limited, whose principal address is P. O. Box 2751, AIB International Centre, International Financial Services Centre, Dublin 1, pursuant to the Corporate Administration Agreement.

### Capitalisation and Indebtedness Statement

The following table shows the capitalisation and indebtedness of the Issuer as at the date of this Information Memorandum, adjusted for the issue of the Notes:

	€
<i>Authorised Share Capital</i>	
Ordinary Shares of €40,000	
<i>Issued</i>	
Ordinary Shares of €1 each of which are fully paid up	40,000
<i>Loan Capital</i>	
€30,000,000 Class A Secured Floating Rate Notes due 2005	30,000,000
€7,875,000 Class B Secured Floating Rate Notes due 2005	7,875,000
€10,500,000 Class C Secured Floating Rate Notes due 2005	10,500,000
€22,500,000 Class D Secured Floating Rate Notes due 2005	22,500,000
Total indebtedness	<u>70,875,000</u>

Save as described above, as at the date hereof, the Issuer has no other loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer created any mortgages or charges or given any guarantees. No convertible securities, exchangeable securities or securities with warrants have been issued and/or are outstanding. Neither the Issuer nor any subsidiary undertaking of the Issuer holds any of its own shares.

Since the date of incorporation of the Issuer, the Issuer has not traded, no profits or losses have been made or incurred and no dividends have been paid.

### **Accountants' Report**

The following is the text of a report received by the Directors of the Issuer from KPMG, Chartered Accountants, the Registered Auditors and Reporting Accountants to the Issuer. The balance sheet contained therein does not comprise the Issuer's statutory accounts. No statutory accounts have been prepared and delivered to the Registrar of Companies in Ireland since incorporation. The Issuer's accounting reference date will be 31 December with the first statutory accounts being drawn up to 31 December, 2001.

"The Directors  
Scala Synthetic 2 public limited company  
2 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland

4 December 2000

Dear Sirs

#### **Scala Synthetic 2 public limited company**

The financial information set out in paragraphs 1 to 2.3, is based on the audited non-statutory financial statements of Scala Synthetic 2 public limited company (the "Company") from the date of incorporation to 4 December, 2000, to which no adjustments were considered necessary.

#### ***Responsibility***

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company are responsible for the contents of the Information Memorandum dated 4 December, 2000 in which the report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

#### ***Basis of opinion***

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the



financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion the financial information gives, for the purposes of the Information Memorandum, a true and fair view of the state of affairs of the Company as at 4 December, 2000.

### **Financial information**

#### 1. Balance sheet

	Note	€
<b>Current assets</b>		
Cash		<u>40,000</u>
<b>Capital and reserves</b>		
Called up share capital	2	40,000
Profit and loss account		-
		_____
Shareholders' funds - equity		<u>40,000</u>

#### 2. Notes

2.1 The Company was incorporated on 30 November 2000. The Company has not yet commenced business, no audited statutory financial statements have been prepared and no dividends have been declared or paid since the date of incorporation.

2.2 As described in the Information Memorandum to be dated 4 December, 2000, the Company proposes to (i) issue Limited Recourse Floating Rate Secured Notes (the "Notes") with an initial principal balance of €70,875,000; (ii) apply the proceeds of the issuance of the Notes to acquire an interest bearing Euro deposit with Banca Commerciale Italiana SpA and (iii) participate in other activities related to the foregoing.

#### 2.3 Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with Financial Reporting Standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland.

The directors have prepared the non-statutory financial statements for the purposes of supporting the financial information included in the Information Memorandum of the Company to be dated 4 December, 2000.

Yours faithfully

KPMG  
Chartered Accountants"

## **Business**

The principal objects of the Issuer are set out in clause 3 of its Memorandum of Association and are, *inter alia*, to engage in credit default swaps, credit derivatives, currency and interest rate transactions and any other financial or other transactions of whatever nature, and to borrow, raise and secure the payment of money by the creation and issue of notes, bonds, debentures or other securities whether or not secured upon all or any of the Issuer's undertaking, assets, property or revenues.

Since the date of its incorporation, the Issuer has not commenced operations and no accounts have been made up as at the date of this Information Memorandum. The only activities in which the Issuer has engaged are those incidental to its incorporation and registration as a public limited company under the Irish Companies Act, 1963 to 1999, the authorisation of the issue of the Notes, the matters referred to or contemplated in this Information Memorandum and the authorisation, execution, delivery and performance of the other documents referred to in this document to which it is a party and matters which are incidental or ancillary to the foregoing.

The Issuer will not have any subsidiaries or subsidiary undertakings.

The only assets of the Issuer available to meet the claims of the Noteholders will be the assets which comprise the security for the Notes, as described under Condition 3 of the Notes.

## **Corporate Administration**

The Corporate Administrator has entered into the Corporate Administration Agreement with the Issuer. Its duties will include the provision of certain administrative, secretarial and related services in Ireland. The Corporate Administration Agreement may be terminated by the Corporate Administrator or the Issuer on the giving of not less than 15 days prior written notice to the other on the occurrence of an event of default under the Corporate Administration Agreement or by either of such parties on giving not less than 21 days prior written notice to the other in the event of the relationship becoming unlawful or a change in tax laws or regulations which would materially increase the cost or reduce the benefit to the party giving notice of participating in the relationship. In the Trust Deed the Issuer has undertaken to ensure that there is at all times a corporate administrator carrying out the services referred to above.

## **Corporate Officers Agreement**

The Corporate Officers Provider has entered into the Corporate Officers Agreement with the Issuer. Its duties include the nomination of persons to act as directors of the Issuer.

## **Rating of the Notes**

It is a condition to issuance of the Notes that: (i) the Class A Notes be rated A by S&P and A1 by Moody's, (ii) the Class B Notes be rated BBB by S&P and Baa2 by Moody's and (iii) the Class C Notes be rated BB+ by S&P and Baa3 by Moody's. It is not envisaged that the Class D Notes will be rated. It should be noted that the Moody's ratings take into account the scheduled maturity date of the Notes but not any additional period resulting from the operation of Condition 3.2.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The ratings assigned to the Notes by S&P and Moody's are based largely on the statistical analysis of historical default rates on Reference Obligations with various ratings, and the Eligibility Criteria that the Reference Portfolio is to satisfy. There can be no assurance that actual credit events on the Reference Portfolio will not exceed those assumed by S&P's and Moody's respective analysis and that the degree of assumed loss or diminution in market value with respect thereto will not differ from those assumed by S&P and Moody's. Neither the Issuer nor BCI makes any representation as to the expected rate of credit events on the Reference Obligations or as to the expected timing of any credit events that may occur.

## Description of the Notes whilst in global form

### Initial Settlement

The Notes will be issued in bearer form and will be represented initially by a Temporary Global Note, without interest coupons or talons attached. The Temporary Global Note will be deposited with the Common Depositary for the account of Euroclear and Clearstream, Luxembourg on or about the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit each subscriber of Notes represented by a Temporary Global Note with a principal amount of Notes equal to the principal amount for which it has subscribed and paid. Interests in the Temporary Global Notes will be exchangeable not earlier than 40 calendar days after the Closing Date, provided certification of non-US beneficial ownership by the relevant Noteholder has been received, for interests in the Permanent Global Notes, without interest coupons or talons attached. As used herein, the term **Global Notes** includes each of the Temporary Global Notes and the Permanent Global Notes. On an initial exchange of interests in the Temporary Global Notes for interests in the Permanent Global Notes, the Permanent Global Notes will be deposited with the Common Depositary. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Definitive Notes in limited circumstances, described below. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate.

Interest and principal on the Global Notes will be payable pursuant to arrangements made between the Common Depositary and the Paying Agents and will be payable, at the option of the holder, at any specified office of any Paying Agent provided certification of non-US beneficial ownership by the Noteholders in respect of such Global Notes has been received, prior to the first payment of interest thereon, by Euroclear or Clearstream, Luxembourg. A record of each payment made on a Global Note, distinguishing between any payment of principal and payment of interest and payment of any other amount, will be endorsed on that Global Note by the Paying Agent to which that Global Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment to be made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes, which must be made to the holder of the relevant Global Note, for so long as such Global Note is outstanding. Each such person must give a certificate as to non-US beneficial ownership as of the earlier of: (i) the date on which the Issuer is obliged to exchange interests in the Temporary Global Notes for interests in the Permanent Global Notes, which date shall be no earlier than the Exchange Date (as defined in the Temporary Global Notes), and (ii) the first Interest Payment Date, in order to obtain any payment due on the Notes.

For so long as the Notes are represented by a Global Note held by the Common Depositary, Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg. Notes represented by a Global Note which is not held by the Common Depositary and Notes in definitive form will be transferable by delivery of the Global Note or Note in definitive form, as the case may be.

For so long as the Notes are represented by a Global Note held by the Common Depositary, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes will be entitled to be treated by the Issuer and the Trustee as a holder of such principal amount of Notes other than with respect to the payment of principal and interest or any amounts payable on the Notes (other than with respect to the payment of principal and interest or any amounts payable on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Global Notes), and the expressions Noteholder, holder and holders shall, where appropriate, be construed accordingly. The form of the Notes provides that notices in respect of the Notes whilst represented by a Global Note need not be published but may be given either (i) by

being published in a leading daily newspaper printed in the English language and with general circulation in Dublin (which is expected to be *The Irish Times*) or, if publication in such manner is not practicable, in such other leading English language daily newspaper(s) with general circulation in Ireland and the rest of Western Europe as the Trustee may approve, or, at the option of the Issuer, (ii) by delivery to the Common Depository for communication by it to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders.

### **Issue of Definitive Notes**

If: (i) the principal amount of the Notes becomes immediately due and payable pursuant to Condition 3 or 8 or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii) as a result of any amendment to, or change in, any laws or regulations of Ireland or any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive bearer form, then the Issuer will, subject to and in accordance with the terms of the Trust Deed, within 30 calendar days of the occurrence of the relevant event, without charge, issue Definitive Notes (together with interest coupons and talons attached) upon the presentation and surrender of the Global Notes provided, in each case, that certification of non-US beneficial ownership has been provided in accordance with the Trust Deed.

## Terms and Conditions of the Notes

*The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be set out in the Trust Deed:*

### General

The Notes (which expression shall include the Global Notes (as defined below)) will be constituted by a trust deed (the **Trust Deed**) dated 12 December, 2000 between, *inter alios*, the Issuer and Bankers Trustee Company Limited (in such capacity, the **Trustee**). Capitalised terms used in these Conditions and not otherwise defined bear the meaning ascribed to them in the Trust Deed. The following is a summary of the principal terms and conditions of the Notes and is subject to the detailed provisions of the Trust Deed.

The Noteholders (as defined below) and the holders of the interest coupons (the **Coupons**) appertaining to the Notes (the **Couponholders**) are entitled to the benefit of, and are bound by and deemed to have notice of, all the provisions of:

- (i) the Trust Deed under which, among other things, the Trustee acts as Trustee of the Notes and takes the benefit of the security granted by the Issuer thereunder to be held on trust for all the secured parties thereunder in accordance with these Conditions and the terms thereof;
- (ii) the Paying Agency Agreement dated on or about 8 December, 2000 between AIB International Financial Services Limited as Principal Paying Agent (in such capacity, the **Principal Paying Agent** and, together with any other Paying Agent appointed under the Paying Agency Agreement, the **Paying Agents**), Deutsche Bank AG, London Branch (the **Note Calculation Agent**) and the Trustee (the **Paying Agency Agreement**) under which, among other things, the Paying Agents agree to act as paying agents under the Notes and Deutsche Bank AG, London Branch agrees to act as Note Calculation Agent, in each case in accordance with the terms thereof;
- (iii) the Banking Services Agreement dated 12 December, 2000 between Allied Irish Banks p.l.c. (in such capacity, the **Bank**), the Issuer, the Trustee and AIB International Financial Services Limited (the **Banking Services Agreement**) under which the Bank agrees to act as Bank in respect of the Issuer Account and to provide other banking services to the Issuer;
- (iv) the Corporate Administration Agreement dated 12 December, 2000 between the Issuer, the Trustee and AIB International Financial Services Limited (in such capacity, the **Corporate Administrator**) (the **Corporate Administration Agreement**) under which the Corporate Administrator agrees to provide certain corporate and administrative services to the Issuer;
- (v) the Corporate Officers Agreement dated 12 December, 2000 between Structured Finance Management (Ireland) Limited (the **Corporate Officers Provider**) and the Issuer (the **Corporate Officers Agreement**) under which the Corporate Officers Provider agrees to nominate persons to act as directors of the Issuer;
- (vi) the Credit Default Swap dated 12 December, 2000 between Banca Commerciale Italiana SpA (**BCI** or, in such capacity, the **Credit Default Swap Counterparty**) and the Issuer (the **Credit Default Swap**) setting out the terms of the credit default swap transaction to be entered into between the Credit Default Swap Counterparty and the Issuer;
- (vii) the Note Placement Agreement dated 4 December, 2000 between BCI and the Issuer (the **Note Placement Agreement**) pursuant to which BCI agrees to use reasonable endeavours to place and, failing which, to subscribe for the Notes; and
- (viii) the Deposit Agreement dated 12 December, 2000 between BCI (in such capacity, the **Deposit Bank**), the Issuer and the Trustee (the **Deposit Agreement**) pursuant to which, among other

things, the terms of an interest bearing deposit acquired with the proceeds of the Notes held in an account (the **Cash Deposit Account**) with the Deposit Bank are set out.

Copies of the Trust Deed, the Paying Agency Agreement, the Banking Services Agreement, the Corporate Administration Agreement, the Corporate Officers Agreement, the Credit Default Swap, the Deposit Agreement and the Note Placement Agreement will be available for inspection at the registered office of the Trustee and at the specified office of the Paying Agent in Dublin.

The Issuer has issued the €30,000,000 Class A Secured Floating Rate Notes (the **Class A Notes**), the €7,875,000 Class B Secured Floating Rate Notes (the **Class B Notes**), the €10,500,000 Class C Secured Floating Rate Notes (the **Class C Notes**) and the €22,500,000 Class D Secured Floating Rate Notes (the **Class D Notes**). The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are referred to together as the **Notes**. References to the Notes or any Class thereof shall, unless the context otherwise requires, in each case, include any interest coupons and talons appertaining thereto. Each Class of Notes is constituted by the Trust Deed and is secured by the same security that secures all the other Notes. The Class A Notes will rank *pari passu* between themselves and in priority to the Class B Notes, the Class C Notes and the Class D Notes in the payment of principal and interest thereon and in the event of the security being enforced. The Class B Notes will rank *pari passu* between themselves and in priority to the Class C Notes and the Class D Notes in the payment of principal and interest thereon and in the event of the security being enforced. The Class C Notes will rank *pari passu* between themselves and in priority to the Class D Notes in the payment of principal and interest thereon and in the event of the security being enforced. The Class D Notes will rank *pari passu* between themselves.

Under the Trust Deed the Issuer has: (i) assigned by way of first fixed security in favour of the Trustee all of its rights, title, interest and benefit, present and future, in, under and pursuant to the Credit Default Swap, (ii) assigned by way of first fixed security in favour of the Trustee all its rights, title, interest and benefit, present and future, in, under and pursuant to each of the Paying Agency Agreement, the Banking Services Agreement, the Deposit Agreement, the Note Placement Agreement, the Corporate Administration Agreement and the Corporate Officers Agreement and (iii) charged by way of first fixed security in favour of the Trustee all its rights, title, interest and benefit, present and future, in and to all sums of money which may now or hereafter be from time to time standing to the credit of, respectively, the Issuer's bank account with the Bank (the **Issuer Account**) and the Issuer's Cash Deposit Account with the Deposit Bank.

The Trustee has and the Paying Agents, the Corporate Administrator, the Bank, the Credit Default Swap Counterparty, the holders of the Class A Notes (the **Class A Noteholders**), the holders of the Class B Notes (the **Class B Noteholders**), the holders of the Class C Notes (the **Class C Noteholders**) and the holders of the Class D Notes (the **Class D Noteholders**) (the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders being together the **Noteholders**) have, through the Trustee, the benefit of the above described security interests to secure sums due to the Trustee and any receiver appointed by it under the Trust Deed and the other documents to which it is a party, the Paying Agents under the Paying Agency Agreement, the Corporate Administrator under the Corporate Administration Agreement, the Bank under the Banking Services Agreement, the Credit Default Swap Counterparty under the Credit Default Swap, the Class A Noteholders under the Class A Notes, the Class B Noteholders under the Class B Notes, the Class C Noteholders under the Class C Notes and the Class D Noteholders under the Class D Notes.

The claims of the Trustee for itself and any receiver appointed by it, the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty shall rank as set out in the Trust Deed, all of which claims shall, subject as provided below, rank in priority to the claims of the Class A Noteholders and Class A Couponholders which claims shall rank *pari passu* between themselves and in priority to the claims of the Class B Noteholders and the Class B Couponholders, the Class C Noteholders and the Class C Couponholders and the Class D Noteholders and the Class D Couponholders. The claims of the Class B Noteholders and the Class B Couponholders shall rank *pari passu* between themselves and in priority to the claims of the Class C Noteholders and the Class C Couponholders and the Class D Noteholders and the Class D Couponholders. The Class C Noteholders

and the Class C Couponholders shall rank *pari passu* between themselves and in priority to the claims of the Class D Noteholders and the Class D Couponholders. The Class D Noteholders and the Class D Couponholders shall rank *pari passu* between themselves. Any amounts payable to the Deposit Bank under the Deposit Agreement rank behind the claims of the Noteholders.

All income and other payments to the Issuer under the Credit Default Swap and the Deposit Agreement will be credited to the Issuer Account. Interest accruing on the balance standing to the credit of the Cash Deposit Account with the Deposit Bank (the **Cash Deposit**) shall be paid to the Issuer Account. Sums representing the amounts due to the Class A Noteholders under the Class A Notes, to the Class B Noteholders under the Class B Notes, to the Class C Noteholders under the Class C Notes, to the Class D Noteholders under the Class D Notes, to the Trustee and any receiver appointed by it under the Trust Deed, to the Paying Agents under the Paying Agency Agreement, to the Corporate Administrator under the Corporate Administration Agreement, to the Corporate Officers Provider under the Corporate Officers Agreement, to the Bank under the Banking Services Agreement and to the Credit Default Swap Counterparty under the Credit Default Swap will be paid out of the Issuer Account (although amounts payable to the Credit Default Swap Counterparty under the Credit Default Swap may be applied directly from the Cash Deposit).

## 1. Form, Denomination, Title and Status

1.1 The Notes will be issued in bearer form in the denomination of €100,000 each. Each Class of Notes is initially represented by a single temporary global note (each a **Temporary Global Note**) in bearer form, without interest coupons or talons attached. Interests in each Temporary Global Note will be exchangeable for interests in a permanent global note (each a **Permanent Global Note**) (each of the Temporary and Permanent Global Notes being a Global Note and together the **Global Notes**) in accordance with its terms. Title to each of the Global Notes will pass by delivery. Upon deposit of the Temporary Global Notes with a common depositary (the **Common Depositary**) for the account of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), Euroclear and Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes of the relevant class equal to the principal amount thereof for which such subscriber has subscribed and paid. No Global Note will be exchangeable for definitive Notes except in certain limited circumstances described below.

1.2 For so long as the Notes are represented by Global Notes, (i) Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg as appropriate and (ii) each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount outstanding (the **Principal Amount Outstanding**) (as determined in accordance with Condition 3.1 below) of the Notes shall be treated by the Issuer and the Trustee as the holder of such Principal Amount Outstanding of Notes (and the expression Noteholder shall be construed accordingly) for all purposes other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms.

1.3 If (i) the principal amount of any of the Notes becomes immediately due and repayable pursuant to Condition 3 or 8 or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearance system satisfactory to the Trustee is available or (iii) as a result of any amendment to, or change in, the laws or regulations of Ireland or any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which become effective on or after 12 December, 2000 (the **Closing Date**) the Issuer or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of any of the Notes which would not be required were the Notes in definitive bearer form, then the Issuer will, subject to and in accordance with the terms of the Trust Deed, issue without charge definitive bearer Notes with Coupons and talons (in exchange for and to the extent of interests in each of the Global Notes) within 30 calendar days of the occurrence of the relevant event in (i), (ii) or (iii) above. The procedures to be carried out by the relevant parties upon such exchange shall be made in accordance with the provisions of the relevant Global Note and/or the normal



practice of the Common Depositary, the Paying Agents and the rules of Euroclear and Clearstream, Luxembourg for the time being. Notice of the availability of definitive Notes shall be given to Noteholders and the Trustee in accordance with Condition 13.

1.4 The Notes constitute secured obligations of the Issuer, secured as mentioned above, and each Class of Notes as described herein rank *pari passu* among themselves.

1.5 The Notes are constituted by the Trust Deed and each Class of Notes is secured by the same security but the Class A Notes will rank in priority to the Class B Notes, the Class C Notes and the Class D Notes, the Class B Notes will rank in priority to the Class C Notes and the Class D Notes and the Class C Notes will rank in priority to the Class D Notes in the event of the security being enforced. The Trust Deed contains provisions requiring the Trustee to have regard to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Noteholders of the most senior Class of Notes if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or any other persons entitled to the benefit of the security constituted by the Trust Deed.

## 2. Interest

### *Accrual of Interest*

2.1 The Notes bear interest from and including the Closing Date on the Principal Amount Outstanding of the Notes. Subject to Condition 2.5, interest will cease to accrue on each Note from the due date for redemption thereof unless, upon due presentation of such Note, payment of principal is improperly withheld or refused or default is otherwise made in payment thereof. In such event (subject to Condition 3.5), interest will continue to accrue in accordance with this Condition 2.1 (as well after as before judgment) up to, but excluding, the date on which, upon further presentation thereof, payment in full of the Principal Amount Outstanding of such Note is made or (if earlier) the seventh calendar day after the date upon which notice is duly given to the holder of such Note in accordance with Condition 13 that upon further presentation thereof being duly made such payment will be made, provided that such payment is in fact made.

### *Interest Payment Dates and Interest Periods*

2.2 Subject to Condition 7, interest in respect of the Notes will be payable quarterly in arrears on 12 March, 12 June, 12 September and 12 December in each year (each such date an **Interest Payment Date**) commencing on 12 March, 2001 or, if such date is not a Business Day, on the next following Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day. In these Conditions, unless otherwise provided, **Business Day** means a day, not being a Saturday or Sunday, upon which commercial banks and foreign exchange markets settle payments in London, Milan and Dublin and which is a TARGET Settlement Day (being a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System is open). The period beginning on the Closing Date and ending on, but excluding, the first Interest Payment Date and each period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next Interest Payment Date is herein called an **Interest Period**.

### *Rate of interest on the Notes*

2.3 The rate of interest payable from time to time in respect of the Notes (the **Rate of Interest**) will be determined by Deutsche Bank AG, London Branch in its capacity as note calculation agent (the **Note Calculation Agent**) two London Business Days (being a day, not being a Saturday or Sunday or public holiday, upon which commercial banks and foreign exchange markets settle payments in London) prior to the Closing Date and each Interest Payment Date in respect of the Interest Period commencing on that date (each an **Interest Determination Date**) in accordance with the following provisions:

The Rate of Interest for each Interest Period ending on an Interest Payment Date shall be equal to EURIBOR + Spread,

where

**EURIBOR** for an Interest Determination Date means the rate for deposits in Euros for a period of three months which appears on the Telerate Page 248 as of 11.00 a.m., London time, on such Interest Determination Date (or (aa) such other page as may replace Telerate Page 248 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Dow Jones/Telerate Monitor) (the **Screen Rate**). If, on any Interest Determination Date, the Screen Rate is unavailable at such time and on such date, the Note Calculation Agent will request the principal London office of each of The Royal Bank of Scotland plc, Barclays Bank PLC, Lloyds TSB Bank Plc and Citibank, N.A., or any duly appointed substitute reference bank(s) as may be approved by the Trustee, (the **Reference Banks**) to provide the Note Calculation Agent with its offered quotation to leading banks for deposits in Euro for a period of three months in London for same day value as at 11.00 a.m. (London time) on the Interest Determination Date in question. EURIBOR for the relevant Interest Period shall be determined, on the basis of the offered quotations of those Reference Banks, as the arithmetic mean (rounded upwards to four decimal places) of the rates so quoted. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Note Calculation Agent, EURIBOR for the relevant Interest Period shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Note Calculation Agent with such an offered quotation, the Note Calculation Agent shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Note Calculation Agent (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) and EURIBOR for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such banks as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then EURIBOR for the relevant Interest Period shall be EURIBOR in effect for the last preceding Interest Period to which the foregoing provisions of this definition shall have applied; and

**Spread** means (a) in respect of the Class A Notes, 0.70 per cent. per annum, (b) in respect of the Class B Notes, 1.60 per cent. per annum, (c) in respect of the Class C Notes, 2.60 per cent. per annum and (d) in respect of the Class D Notes, 8.75 per cent. per annum.

#### *Determination of Rate of Interest*

2.4 The Note Calculation Agent shall, on each Interest Determination Date, determine and notify the Principal Paying Agent, the Issuer, the Trustee and the Noteholders (in accordance with Condition 13) of the Rate of Interest, the Interest Payment Date and the amount of interest that will be payable in respect of each Note applicable to the Interest Period commencing on the Interest Payment Date immediately following such Interest Determination Date. The interest amount (the **Interest Amount**) in respect of each Note and such Interest Period shall be calculated by the Note Calculation Agent, subject to Condition 7, by applying the Rate of Interest to the Principal Amount Outstanding of that Note on the first day of such Interest Period on the basis of the actual number of days in such Interest Period and a year of 360 days and shall be notified by it to the Principal Paying Agent, the Issuer, the Trustee and the Noteholders (in accordance with Condition 13). The Principal Paying Agent shall notify the Irish Stock Exchange Limited (the **Irish Stock Exchange**) (or any stock exchange on which the Notes are for the time being listed) of the Rate of Interest, the Interest Amount, the relevant Interest Period and the relevant Interest Payment Date in respect of each Note as soon as possible after their determination and as soon as possible after the date of commencement of the relevant Interest Period.

### *Interest on Retained Amounts*

2.5 Interest shall accrue on any Retained Amount (as defined in Condition 3.2) from the due date for such payment had it not been retained until payment to the Noteholders in respect of any Retained Amount is required to be made in accordance with Condition 3.2(b) (the **Retained Period**) at a rate of 7-day EURIBOR + Spread, reset weekly, during the relevant Retained Period.

**7-day EURIBOR** shall be determined in the manner set out in Condition 2.3 substituting references to "deposits in Euro for a period of three months" by "deposits in Euro for a period of 7 calendar days".

### *Certificates to be Final*

2.6 All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these provisions shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee and all Noteholders and Couponholders.

2.7 The liability of the Issuer to make payments in respect of interest on the Notes may only be satisfied out of its interest in the assets referred to, and in the manner specified, in Condition 3.5.

## **3. Redemption and Security**

### *Redemption on Maturity*

3.1 Unless previously redeemed, and save as provided in Condition 3.2, the Issuer will redeem all the Notes on 12 December, 2005 (the **Maturity Date**) or, if such date is not a Business Day, on the next following Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day, at their Principal Amount Outstanding (as determined according to the provisions set out below) together with accrued interest.

Subject as otherwise provided in these Conditions, the Principal Amount Outstanding of a Note shall be equal to its par value. If on any date the Issuer is required to pay any Cash Settlement Amount (as defined in the Credit Default Swap) to the Credit Default Swap Counterparty under the terms of the Credit Default Swap, then, except to the extent at any time such payment can be made from amounts standing to the credit of the Issuer Account (after any interest payments to be made on the Notes on such date) (the **Issuer Account Surplus**) such Cash Settlement Amount will be funded from the Cash Deposit and an amount equal to the Cash Settlement Amount (less any portion of such Cash Settlement Amount paid out of the Issuer Account Surplus as aforesaid) (the **Requisite Reduction**) will be applied first in reducing *pro rata* and *pari passu* the Principal Amount Outstanding of the Class D Notes by making a rateable reduction in the Principal Amount Outstanding of each Class D Note. If and to the extent that the aggregate Principal Amount Outstanding of the Class D Notes (after taking account of any previous reduction thereof in accordance with Condition 3.1 and the Trust Deed) is, or is reduced to, zero the balance of the Requisite Reduction shall be applied in reducing *pro rata* and *pari passu* the Principal Amount Outstanding of the Class C Notes by making a rateable reduction in the Principal Amount Outstanding of each Class C Note. If and to the extent that the aggregate Principal Amount Outstanding of the Class C Notes (after taking account of any previous reduction thereof in accordance with Condition 3.1 and the Trust Deed) is, or is reduced to, zero the balance of the Requisite Reduction shall be applied in reducing *pro rata* and *pari passu* the Principal Amount Outstanding of the Class B Notes, by making a rateable reduction in the Principal Amount Outstanding of each Class B Note. If and to the extent that the aggregate Principal Amount Outstanding of the Class B Notes (after taking account of any previous reduction thereof in accordance with Condition 3.1 and the Trust Deed) is, or is reduced to, zero, the balance of the Requisite Reduction shall be applied in reducing *pro rata* and *pari passu* the Principal Amount Outstanding of the Class A Notes, by making a rateable reduction in the Principal Amount Outstanding of each Class A Note.

For all purposes under the Conditions, the Principal Amount Outstanding with respect to each Class of Notes will be calculated by the Note Calculation Agent. Any determination made by the Note Calculation

Agent will be binding in the absence of manifest error. To the extent that the Note Calculation Agent determines that there has been a reduction in the Principal Amount Outstanding under a Class of Notes, the Note Calculation Agent shall notify the Trustee, the Noteholders in accordance with Condition 13, the Principal Paying Agent and the Issuer of the amended Principal Amount Outstanding of the relevant Class of Notes.

If, pursuant to the operation of Condition 3.1, the Principal Amount Outstanding of any Note is, or is reduced to, zero, such Note shall thereupon be redeemed without any further act and, subject to Condition 3.8, no further payment of principal or interest (other than interest which has already become due and remains unpaid) shall be payable in respect thereof.

#### *Retained Amount upon Maturity or Early Redemption*

3.2 If there has been a Credit Event with respect to any of the Reference Swaps (as defined in the Credit Default Swap) and the Cash Settlement Amount in relation to any such Reference Swap under the Credit Default Swap has not been paid by the Maturity Date or any earlier date upon which the Notes or any of them are to be redeemed in accordance with Condition 3.3 or 3.4 (the **Redemption Date**) then:

- (a) on the Maturity Date or, as the case may be, the Redemption Date, the Issuer shall apply an amount equal to the Principal Amount Outstanding of the Notes, together with interest accrued thereon, less the aggregate Reference Swap Notional Amounts (as defined in the Credit Default Swap) of all such Reference Swaps (the **Retained Amount**); and
- (b) with respect to each such Reference Swap, on the day that is 7 Business Days after the Valuation Date (as defined in the Credit Default Swap) in respect of such Reference Swap, the Issuer shall apply an amount equal to that part of the Retained Amount as relates to such Reference Swap less the Cash Settlement Amount required to be paid by it to the Credit Default Swap Counterparty under the Credit Default Swap in respect of such Reference Swap,

in each case *pro rata* in redemption of the Class A Notes and unpaid interest accrued thereon and, following the redemption in full of the Class A Notes, *pro rata* in redemption of the Class B Notes and unpaid interest accrued thereon and, following the redemption in full of the Class B Notes, *pro rata* in redemption of the Class C Notes and unpaid interest accrued thereon and, following the redemption in full of the Class C Notes, *pro rata* in redemption of the Class D Notes and unpaid interest accrued thereon.

The Note Calculation Agent shall notify the Trustee, the Principal Paying Agent, the Issuer and the Noteholders in accordance with Condition 13 of the payments to be made in accordance with paragraphs (a) and (b).

#### *Mandatory Redemption*

- 3.3
- (i) In the event that the Credit Default Swap is terminated whilst the Notes or any of them remain outstanding, the Issuer shall, on the date of such termination, become liable to redeem the Notes then outstanding at their Principal Amount Outstanding, together with unpaid interest accrued to the date of redemption (together with the full amount of any interest on the Notes which has not been paid on any previous Interest Payment Date pursuant to Condition 7). 7 Business Days' notice of such redemption shall be given to the Trustee and to Noteholders in accordance with Condition 13.
  - (ii) For the avoidance of doubt, no principal will be repaid in respect of the Class D Notes until the Class C Notes have been paid in full, no principal will be repaid in respect of the Class C Notes until the Class B Notes have been paid in full and no principal will be repaid in respect of the Class B Notes until the Class A Notes have been paid in full.
  - (iii) If pursuant to the operation of Condition 3.1 (but subject to Condition 7) the Principal Amount Outstanding of any Note is reduced to zero, such Note shall thereupon be redeemed without any further act and, subject to Condition 3.8, no further payment of

principal or interest (other than interest which has already become due and remains unpaid) shall be payable in respect thereof).

*Redemption for Taxation Reasons*

3.4 If at any time:

- (i) the Issuer will be required to make such a withholding or deduction as is referred to in Condition 6 (otherwise than because the tax, duty, assessment or governmental charge in question arises by reason of a Noteholder being connected with Ireland, except by the mere holding of Notes or Coupons), provided that this paragraph (i) shall not apply in relation to any Irish tax, duty, assessment or governmental charge except where (a) the obligation to withhold or deduct arises as a consequence of any amendment to, or change in, the laws or regulations of Ireland or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date and (b) the withholding or deduction cannot be avoided by a Noteholder delivering to or filing with the Issuer, any Paying Agent or any governmental or tax authority any claim, declaration, certificate or other document (whether relating to the Noteholder's residence or other status for any tax purpose or otherwise); or
- (ii) the Issuer or the Trustee is, or the Issuer on reasonable grounds satisfies the Trustee that the Issuer or the Trustee will be, subject to any circumstance (whether by reason of any law, regulation, regulatory requirement or double taxation convention or the interpretation or application thereof or otherwise) or to a tax charge (whether by direct assessment or by withholding at source) or other imposition by the Revenue Commissioners of Ireland which would materially increase the cost to it of complying with its obligations under the Trust Deed or under the Notes or Coupons or materially increase the operating or administrative expenses of the Issuer or the trust under which the shares in the Issuer are held or materially reduce the amount of any sums received or receivable by the Issuer or otherwise oblige the Issuer or the Trustee to make any material payment on, or calculated by reference to, the amount of any sum received or receivable by the Trustee on behalf of the Issuer as contemplated in the Trust Deed; or
- (iii) the Issuer or the Trustee receives, or the Issuer on reasonable grounds satisfies the Trustee that the Issuer or the Trustee will receive, as a result of an enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) in Ireland or elsewhere that occurs on or after the Closing Date, insufficient moneys in respect of its assets to pay the amount of interest due under the Notes on the basis set out in Condition 2.3,

then the Issuer shall inform the Trustee accordingly and shall, in the case of (i) and (ii) above, use all reasonable endeavours to change the place of residence of the Issuer for taxation purposes or to exercise the right to substitute the principal debtor hereunder as described in Condition 12 where such change of residence or substitution of principal debtor would avoid the effect described in (i) or (ii) above.

If any of the circumstances referred to in (i), (ii) and (iii) above shall not, in the opinion of the Issuer or the Trustee, have been avoided within 20 calendar days of such circumstance occurring, the Issuer shall give notice thereof to the Credit Default Swap Counterparty who may, but shall not be bound, to commit to make available additional funds to the Issuer so that the Issuer is able to pay, and does so pay, any amounts owing to the Noteholders as though the circumstances in (i), (ii) or (iii) above had not occurred. If the Credit Default Swap Counterparty does not make such commitment within 20 calendar days of receiving such notice or subsequently fails to make such additional funds available to the Issuer, the Issuer shall give notice thereof to the Noteholders in accordance with Condition 13 and the holders of each Class of Notes may, within a period of 60 calendar days from the date of such notice, by a resolution passed at a meeting of the holders of the relevant class convened in accordance with the Trust Deed by a majority of 75 per cent. of the persons voting thereat (an *Extraordinary Resolution*), require the Issuer to

redeem all, but not some only, of the relevant Class of Notes then outstanding at their Principal Amount Outstanding, together with unpaid interest accrued to the date fixed for redemption (together with the full amount of any interest on the relevant Class of Notes which has not been paid on any previous Interest Payment Date pursuant to Condition 7).

*Liability of the Issuer upon redemption, payment or repayment*

3.5 The liability of the Issuer, upon any redemption or repayment of the Notes, to make the relevant payments in respect of the principal of and interest on the Notes and to make any payment due to the Trustee, any Paying Agent, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty may only be satisfied out of the Issuer's interest in the Charged Property (as defined in the Trust Deed). None of the Trustee, the Noteholders or the Couponholders shall have any other recourse in respect of such payments against the Issuer nor shall the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank or the Credit Default Swap Counterparty have any other such recourse.

None of the Trustee, the Paying Agents, the Bank, the Deposit Bank, the Corporate Administrator, the Corporate Officers Provider, the Credit Default Swap Counterparty, the Noteholders or the Couponholders shall be entitled at any time to institute against the Issuer, or join in the institution against the Issuer of, any bankruptcy, reorganisation, arrangement, examination, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations relating to the Notes, the Coupons, the Trust Deed, the Paying Agency Agreement, the Deposit Agreement, the Banking Services Agreement, the Corporate Administration Agreement, the Corporate Officers Agreement or the Credit Default Swap.

The Note Calculation Agent shall notify the Irish Stock Exchange (or any stock exchange on which any Class of Notes are for the time being listed) and the Rating Agencies (as defined in Condition 10) of the amended Principal Amount Outstanding on each Class of Notes upon any redemption or repayment pursuant to Conditions 3.1, 3.2, 3.3 or 3.4.

*Disposal of security upon redemption or repayment of the Notes*

3.6 Upon the Notes becoming redeemable or repayable in full otherwise than pursuant to Condition 8, the Trustee will be required, upon the written application and at the cost of the Issuer, and without any consent of the Trustee, any Paying Agent, the Bank, the Corporate Administrator, the Credit Default Swap Counterparty or the Noteholders, to concur with the Issuer in realising the security for the Notes provided that any realisation of the security for the Notes, either on an enforcement of the security constituted under or pursuant to the Trust Deed or upon the exercise of the powers conferred by the Trust Deed, shall be on terms such that the net proceeds of sale, or realisation thereof, be paid into the Issuer Account, having deducted or withheld any applicable tax, duty, assessment or governmental charge, and then be applied in accordance with clause 9 of the Trust Deed.

*Realisation of security following a default by the Issuer*

3.7 In the event of the security constituted under or pursuant to the Trust Deed becoming enforceable following an acceleration of the Notes as provided in Condition 8, or if the Issuer becomes obliged to redeem or repay the Notes pursuant to Conditions 3.1, 3.2, 3.3 or 3.4 but fails for any reason to do so, the Trustee may, in accordance with Clause 5.21 of the Trust Deed at its discretion and shall, subject to its having been indemnified to its satisfaction in accordance with Clause 5.35 of the Trust Deed, if so requested in writing by the holders of at least one fifth in aggregate Principal Amount Outstanding of the Class A Notes (or, if there are no Class A Notes outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes) then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of each of the Class A Notes (or, if there are no Class A Notes outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes), but without any liability as to the consequence of such action and

without further notice, and without having regard to the effect of such action on individual holders of that Class of Notes, realise the security for that Class of Notes, all subject as provided in Condition 9.

#### *Application of Proceeds*

3.8 Clause 9.1 of the Trust Deed provides that the net proceeds of the realisation of any security after satisfaction of the Trustee's expenses and remuneration, and any other amounts due to (i) the Trustee, (ii) any receiver or similar officer appointed pursuant to the Trust Deed, (iii) the Paying Agents, (iv) the Bank, (v) the Corporate Administrator, (vi) the Corporate Officers Provider or (vii) the Credit Default Swap Counterparty and any costs, charges, expenses, fees, liabilities, losses, damages, claims and demands required to be paid by or on behalf of the Issuer or the Trustee or any receiver in respect of enforcement of the security, shall be applied, first in meeting *pro rata* and *pari passu* the claims of the Class A Noteholders, secondly in meeting *pro rata* and *pari passu* the claims of the Class B Noteholders, thirdly in meeting *pro rata* and *pari passu* the claims of the Class C Noteholders, fourthly in meeting *pro rata* and *pari passu* the claims of the Class D Noteholders and thereafter in meeting any amounts due to the Deposit Bank under the Deposit Agreement and payment of any surplus to the Issuer.

#### *No Purchase by Issuer*

3.9 The Issuer will not be permitted to purchase any of the Notes.

#### *Cancellation*

3.10 All Notes redeemed in full will be cancelled upon redemption, together with any unmatured Coupons or Talons appertaining thereto or surrendered therewith and may not be resold or reissued.

### **4. Payments**

4.1 Subject to Condition 7, and, in the case of Global Notes, the provisions of the relevant Global Note, payments of principal of and interest on the Notes will be made in Euro against, in the case of payment in full of the Principal Amount Outstanding and interest, presentation and surrender of the relevant Global Note or the Definitive Notes and Coupons and, in the case of any other payment, presentation and endorsement of the relevant Global Note, or surrender of Coupons, at the specified office of any Paying Agent. Payments of principal and/or interest in respect of the Notes shall be made by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in Europe. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on the relevant Global Note by the Principal Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

4.2 Each Note (other than a Global Note) should be presented for payment together with all Coupons or Talons appertaining thereto which, as at the date on which interest ceases to accrue on such Note, remain unmatured, failing which any such missing Coupon or Talon shall become void.

4.3 The Principal Paying Agent is AIB International Financial Services Limited whose principal office is, at the date hereof, at P. O. Box 2751, AIB International Centre, I.F.S.C., Dublin 1. The Issuer may from time to time, with the approval of the Trustee, vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that the Issuer shall, whilst the Notes remain listed on the Irish Stock Exchange, maintain a Paying Agent in Dublin. Any such termination or appointment shall only take effect (other than in the case of insolvency or similar proceedings, when it shall be of immediate effect) after not more than 45 calendar days' nor less than 30 calendar days' notice thereof shall have been given to the Noteholders in accordance with Condition 13.

4.4 If the due date for payment of any amount of principal or interest in respect of the Notes is not a Business Day, then the holders of such Notes or the relevant Coupons shall not be entitled to payment of the amount due until the next following Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day. In this paragraph, **Business Day** means any day on which banks are open for business in the place of the specified office of the Paying

Agent at which the Note or Coupon is presented for payment and in the case of payment by transfer to a Euro account, a TARGET Settlement Day and a day on which dealings in foreign currency may be carried on in such place.

## 5. Covenants

5.1 So long as any of the Notes remains outstanding, the Issuer shall not without the prior consent in writing of the Trustee and, in the case of paragraph (h) below, of each of the Rating Agencies (as defined in Condition 10):

- (a) engage in any activity or do anything whatsoever except:
  - (i) enter into and perform its obligations under the Credit Default Swap;
  - (ii) constitute the Cash Deposit;
  - (iii) enter into and perform its obligations under the Notes and Coupons, the Trust Deed, the Paying Agency Agreement, the Corporate Administration Agreement, the Corporate Officers Agreement, the Banking Services Agreement, the Deposit Agreement and the Note Placement Agreement and any agreements contemplated by any of the foregoing;
  - (iv) enforce any of its rights whether under the agreements referred to in sub-paragraph (i), (ii) or (iii) above, or otherwise;
  - (v) entering into transactions including the issue of notes, as provided below;
  - (vi) perform any act incidental to or necessary in connection with sub-paragraphs (i), (ii), (iii), (iv) or (v) above;
- (b) create any mortgage, charge, or other security interest or right of recourse in respect of any of its obligations in favour of any person (except as contemplated in the Conditions or the Relevant Documents (as defined in the Trust Deed));
- (c) have any subsidiaries (other than in connection with the substitution of the principal debtor under the Notes as described in Condition 12);
- (d) subject to paragraphs (a), (b) and (c) above, dispose of any of its property or other assets or any part thereof or interest therein;
- (e) pay any dividend or make any other distribution to its members in excess of €5,000 (or the equivalent in any other currency) per annum;
- (f) issue any shares in the Issuer (other than those already in issue on the Closing Date);
- (g) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities);
- (h) subject as provided herein and in the Trust Deed, consent to any variation of, or exercise any powers of consent or waiver pursuant to, the terms of the Conditions, the Trust Deed, the Paying Agency Agreement, the Corporate Administration Agreement, the Corporate Officers Agreement, the Banking Services Agreement, the Deposit Agreement, the Credit Default Swap or the Note Placement Agreement or any other agreement relating to the issue of the Notes or any related transactions;
- (i) consolidate or merge with any other legal entity or convey or transfer its properties or assets substantially as an entirety to any person or legal entity; or



(j) have any employees.

5.2 The Issuer may from time to time (without the consent of the Noteholders, any Paying Agent, the Bank, the Corporate Administrator, the Corporate Officers Provider or the Credit Default Swap Counterparty but provided that the Trustee is satisfied that the restrictions of this Condition will be complied with) issue further notes or other securities up to a maximum aggregate principal amount (including the aggregate principal amount of the Notes) of € 400,000,000 and create or incur further obligations relating to such notes or other securities, provided that such further notes or other securities and obligations:

- (a) are secured on assets of the Issuer other than the Charged Property and the assets on which any other obligations of the Issuer are secured; and
- (b) are issued or created on terms which include provisions substantially in the form contained in Conditions 3.5 and 9.

5.3 In giving any consent or approval to the foregoing, the Trustee may require the Issuer to agree to such modifications or additions to the provisions of the Trust Deed as the Trustee may deem expedient in the interests of the Noteholders.

5.4 The Issuer further covenants with the Trustee that each Class of Notes constitutes secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

## 6. Taxation

All payments of principal and interest in respect of the Notes and the Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any authority in Ireland having power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required, the Issuer will not, subject to Condition 3.4, be obliged to pay any additional amounts in respect of such withholding or deduction.

## 7. Shortfall and Subordination

7.1 If at any time the Issuer has insufficient assets fully to discharge any amount falling due from the Issuer under the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on the relevant date, the Issuer will apply all the Charged Property (after meeting any claims of the Trustee and any receiver appointed by the Trustee under the Trust Deed, the Paying Agents, the Corporate Administrator, the Bank and the Credit Default Swap Counterparty) first, in discharging, in accordance with Clause 9.1 of the Trust Deed, the payments falling due under the Class A Notes (or if its assets are insufficient for such purposes, in making payment under each Class A Note on a *pari passu* and *pro rata* basis) and secondly, in discharging the payments falling due under the Class B Notes (or if its assets are insufficient for such purposes in making payment under each Class B Note on a *pari passu* and *pro rata* basis) and thirdly in discharging the payments falling due under the Class C Notes (or if its assets are insufficient for such purposes, in making payment under each Class C Note on a *pari passu* and *pro rata* basis) and fourthly in discharging the payments falling due under the Class D Notes (or if its assets are insufficient for such purposes, in making payment under each Class D Note on a *pari passu* and *pro rata* basis).

In any such event, the Issuer shall keep a record of the shortfall equal to the amount by which the aggregate amount of principal or, as the case may be, interest paid on the each Class of Notes on any date in accordance with Condition 7.1 falls short of the aggregate amounts payable on that Class of Notes on that date pursuant to Condition 3. Such shortfalls shall not accrue interest but, in the case of a principal shortfall, a *pro rata* share of such shortfalls shall be aggregated with the amount of principal otherwise outstanding on each Note of the relevant Class and the Principal Amount Outstanding of such Note will be determined accordingly and, in the case of interest, shall be aggregated with the amount of, and be

treated for the purpose of Condition 7.1 as if it were, interest due, subject to Condition 7.1 on each Note of that Class on the next succeeding Interest Payment Date.

7.2 In the event that the security for a Class of Notes and Coupons is enforced and the proceeds of such an enforcement are insufficient, after payment of all other claims ranking in priority to or *pari passu* with that Class of Notes and Coupons under the Conditions and the Trust Deed, to pay in full the Principal Amount Outstanding and other amounts whatsoever due in respect of that Class of Notes, then that Class of Noteholders and Couponholders shall have no further claims against the Issuer in respect of any such unpaid amounts.

## 8. Events of Default

The Trustee may, and (subject to Condition 3.7 and Condition 10) if so requested in writing by the holders of at least one fifth in aggregate Principal Amount Outstanding of the Class A Notes (or, if there are no Class A Notes outstanding, the Class B Notes or, if there are no Class A Notes or Class B Notes outstanding, the Class C Notes or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Notes) or if so directed by an Extraordinary Resolution of the Class A Noteholders (or, if there are no Class A Notes outstanding, the Class B Noteholders or, if there are no Class A Notes or Class B Notes outstanding, the Class C Noteholders or, if there are no Class A Notes, Class B Notes or Class C Notes outstanding, the Class D Noteholders) subject, in each case, to its being indemnified to its satisfaction (but, in the case of the happening of any of the events mentioned in paragraphs (b), (c) and (d) below, only if the Trustee shall have certified to the Issuer that the happening of such event is in its opinion materially prejudicial to the interests of the relevant Class of Noteholders), shall give notice to the Issuer that the relevant Class of Notes are, and they shall accordingly immediately become, due and payable at their Principal Amount Outstanding, together with accrued interest (including the full amount of any interest on the Notes which has not been paid on any previous Interest Payment Date pursuant to Condition 7), in the event of the occurrence of an Event of Default. For the purposes of Condition 8, an Event of Default shall occur if:

- (a) default is made in any payment of principal or interest due in respect of any of the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes as and when the same shall become due and payable and such default shall have continued for a period of three Business Days, provided that no Event of Default shall be capable of occurring in respect of any payment due under Condition 3 where, subject to and in accordance with Condition 7, such payment is not made, or is not made in full, solely by reason of net sums available to the Issuer being insufficient to pay all amounts due to the Class A Noteholders or the Class B Noteholders or the Class C Noteholders or the Class D Noteholders; or
- (b) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an examination order) unless such proceedings are not, in the opinion of the Trustee, being disputed in good faith with a reasonable prospect of success, or an examination order shall be granted or an examiner or receiver, liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Issuer or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) shall not be discharged or otherwise cease to apply within 60 calendar days, or the Issuer shall initiate or consent to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally; or
- (c) an order shall be made or an effective resolution shall be passed for winding up the Issuer (except for the purpose of a reconstruction or an amalgamation the terms of which have previously been approved in writing by the Trustee) or the Issuer is, or is deemed, unable to pay its debts as and when they fall due within the meaning of Section 214 of the Companies Act 1963 of Ireland (as

amended) and Section 2(3) of the Companies (Amendment) Act 1990 of Ireland (as that section may be amended from time to time);

- (d) default shall be made by the Issuer in the performance or observance of any obligation, covenant, condition or provision binding on it under the Notes or the Trust Deed (other than an obligation for the payment of any amount due in respect of the Notes) and, except where such default is not capable of remedy (in which case no such notice or continuation as is hereinafter mentioned shall be required), such default continues for 30 calendar days after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied.

For the avoidance of doubt, an Event of Default will not arise by virtue of a reduction in the Principal Amount Outstanding of the Notes by virtue of a payment by the Issuer under the Credit Default Swap in accordance with Condition 3.1 or otherwise.

## **9. Enforcement; Indemnification of the Trustee**

9.1 The Trustee shall not be bound to take any action against any person in relation to a Class of Notes unless (i) it shall have been so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the relevant Class of Notes or if so directed by an Extraordinary Resolution of the Noteholders of the relevant Class and (ii) it shall have been indemnified to its satisfaction.

9.2 Only the Trustee may pursue the remedies available under the general law or under the Trust Deed to enforce its rights and the rights of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Credit Default Swap Counterparty and the Bank and no such person is entitled to proceed against the Issuer, its assets or undertakings or any other person unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so within a reasonable time and such failure is continuing. The Trustee having realised the security and distributed the net proceeds in accordance with Condition 3 and the other provisions of the Trust Deed, the Trustee may not take any further steps against the Issuer to recover any sum still unpaid.

9.3 On any redemption or enforcement pursuant to Condition 3 or 8, the Trustee shall be entitled to be indemnified in priority to any claims of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Paying Agents, the Corporate Administrator, the Corporate Officers Provider, the Bank and the Credit Default Swap Counterparty.

9.4 The Trustee may, at any time after the security for the Notes has become enforceable, realise the security for the Notes in accordance with the terms of the Trust Deed on terms that the proceeds of such realisation be paid into the Issuer Account for application as more particularly described in Condition 3 and the other provisions of the Trust Deed or continue to hold the security for the Notes in anticipation of repayment or redemption thereof in accordance with the terms of the Trust Deed.

9.5 The Trustee and its affiliates are entitled to be indemnified and relieved from responsibility for taking enforcement proceedings or enforcing or directing enforcement of the security unless indemnified to their satisfaction.

9.6 The Trustee is entitled to enter into business transactions with any of the Issuer, the Paying Agents, the Bank, the Corporate Administrator, the Corporate Officers Provider, the Credit Default Swap Counterparty or any of their subsidiaries or any other person without accounting to the Noteholders for any profit resulting therefrom.

9.7 Subject to Condition 3.7, the Trustee will, when acting in connection with the security for the Notes, act in the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders taken as a whole provided that upon the enforcement of the security if there shall, in the opinion of the Trustee, be a conflict between the interests of any Class of Noteholders, the Trustee shall act in the interests of the most senior Class of Noteholders.

9.8 The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of *inter alia* any asset comprised in the Charged Property (as defined in the Trust Deed) or any deeds or documents of title thereto being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

## 10. Meetings of Noteholders; Modification and Waiver

The Trust Deed contains provision for convening meetings of each Class of Noteholders to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Conditions and the provisions of the Trust Deed. The quorum at any such meeting is two or more Noteholders of the relevant Class present in person and/or persons present in person holding voting certificates and/or being proxies and being or representing in the aggregate the holders of a clear majority of the aggregate Principal Amount Outstanding of the relevant Class of Notes or, at any adjourned such meeting, two or more Noteholders of the relevant Class present in person and/or persons present in person holding voting certificates and/or being proxies and being or representing in the aggregate the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the relevant Class of Notes, except that at any meeting the business of which includes the modification of certain of the Conditions, the necessary quorum is two or more Noteholders of the relevant class present in person and/or persons present in person holding voting certificates and/or being proxies and being or representing in the aggregate the holders of not less than 75 per cent. in Principal Amount Outstanding of the relevant Class of Notes, or at any adjourned such meeting not less than 25 per cent. in Principal Amount Outstanding of the relevant Class of Notes. Any resolution duly passed at such a meeting shall be binding on all Noteholders of the relevant Class, whether present or not. The Trust Deed contains provisions limiting the powers of a Class of Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Noteholders of a more senior Class. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders, the Class C Noteholders and the Class D Noteholders irrespective of the effect on their interests.

The Trustee shall have power to agree (without the consent of the Noteholders) (i) to any modification (subject to certain exceptions as outlined above) of, or the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed, the Paying Agency Agreement, the Corporate Administration Agreement, the Corporate Officers Agreement, the Banking Services Agreement, the Credit Default Swap or the Note Placement Agreement or that any act which, by itself or with other conditions, events or acts, constitutes a potential Event of Default or an Event of Default shall not be treated as such, provided that, in the opinion of the Trustee, the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders are not materially prejudiced thereby or (ii) to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error.

Any such modification, waiver, authorisation or agreement shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders and to Standard & Poor's Rating Services – a division of The McGraw Hill Companies, Inc. and Moody's Investors Service Limited (the *Rating Agencies*) as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to any such modification, waiver, authorisation or agreement, or any proposed substitution of the Issuer as principal debtor pursuant to Condition 12), the Trustee shall not have regard to the consequences thereof for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

## 11. Replacement of Notes

If a Global Note or, if issued, any Definitive Note, Coupon or Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent for the time being (or

such other place of which notice shall have been given to the Noteholders) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and security as the Issuer may require. A mutilated or defaced Global Note or (as the case may be) Definitive Note, Coupon or Talon must be surrendered before a replacement will be issued.

## **12. Substitution of Principal Debtor**

The Trustee may agree, without the consent of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders, to the substitution of any person in place of the Issuer as principal debtor under the Trust Deed and the Notes. Such substitution shall be subject to the relevant provisions of the Trust Deed and to such amendments thereof as the Trustee may deem appropriate, to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by such substitution and to the Rating Agencies confirming that the rating of the Notes will not be prejudiced by such substitution. Such substitution shall be notified to the Irish Stock Exchange.

## **13. Notices**

Notices may be given to Noteholders in any manner deemed acceptable by the Trustee provided that for so long as the Notes are listed on the Irish Stock Exchange, such notice shall be in accordance with the rules of the Irish Stock Exchange. Notices regarding the Notes will be deemed duly given if published in a leading daily newspaper printed in the English language and with general circulation in Dublin (which is expected to be *The Irish Times*) or, if publication in such manner is not practicable, notices will be published in such other leading English language daily newspaper(s) with general circulation in Ireland and the rest of Western Europe as the Trustee may approve and any such notice shall be deemed to have been given on the date of such publication or, if published more than once or upon different dates, on the date of the first such publication, provided that if and for so long as the Notes are represented by Global Notes, notices to Noteholders will be given either (i) by being published as aforesaid or, at the option of the Issuer, (ii) by delivery to the Common Depositary for communication by it to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg as aforesaid shall be deemed to have been given on the day on which it is delivered to the Common Depositary.

A copy of each notice given in accordance with this Condition 13 shall be provided to (for so long as the Notes of any class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange and to the Rating Agencies. References in these Conditions to the Rating Agencies shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Trustee, to provide a credit rating in respect of the Notes or any class thereof. For the avoidance of doubt, and unless the context otherwise requires, all references to "**rating**" and "**ratings**" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

The holders of the Coupons and talons shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 13.

## **14. Prescription**

Claims for payment of principal and interest will not be enforceable unless a Global Note is, or the Definitive Notes and Coupons (if issued) are, presented for payment within a period of 10 years from the payment dates relating thereto.

## **15. Paying Agent**

In acting under the Paying Agency Agreement, the Paying Agents will act solely as agent of the Issuer and will not assume any obligation to or relationship of agency or trust with the Noteholders, unless an Event of Default has occurred, or with the lapse of time would occur, at which time the Paying Agents will (if the Trustee so directs) act as agent of the Trustee. The Paying Agency Agreement may be amended by the parties thereto if, in the reasonable opinion of the Trustee, such amendment would not

materially adversely affect the interests of the Noteholders. Notice of any amendments to the Paying Agency Agreement pursuant to Condition 15 shall, unless the Trustee otherwise agrees, promptly be given to the Noteholders in accordance with Condition 13.

#### **16. Governing Law**

These Conditions, the Notes, the Trust Deed, the Paying Agency Agreement, the Banking Services Agreement, the Credit Default Swap, the Deposit Agreement, the Corporate Officers Agreement and the Note Placement Agreement are each governed by and will be construed in accordance with English law. The Issuer has submitted to the jurisdiction of the English courts for all purposes in connection with such documents and has designated a person in England to accept service of any process on its behalf. The Corporate Administration Agreement is governed by and will be construed in accordance with Irish law.

#### **17. Privity of Contract**

The Notes do not confer any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of any Note, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## Distribution

Subject to the terms and conditions set out in the Note Placement Agreement (the *Note Placement Agreement*) dated 4 December, 2000 between the Issuer and BCI, the Issuer has agreed to issue and BCI has agreed to use its reasonable endeavours to procure places to subscribe for the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and, failing which, itself to subscribe and pay for up to €30,000,000 original principal amount of the Class A Notes, up to €7,875,000 original principal amount of the Class B Notes, up to €10,500,000 original principal amount of the Class C Notes and up to €22,500,000 original principal amount of the Class D Notes. The obligations of BCI under the Note Placement Agreement are subject to certain conditions precedent and BCI is entitled to terminate the Note Placement Agreement if any of the conditions is not satisfied on or prior to the Closing Date.

### United States of America

The Notes have not been and will not be registered under the Securities Act and the Issuer will not be registered under the Investment Company Act. Accordingly, subject to certain exceptions when certain transactions are exempt from the registration requirements of the Securities Act, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US Persons.

BCI has represented that it has not offered and sold the Notes, and agreed that it will not offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 calendar days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, US Persons. In addition, BCI has represented and agreed that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of US Persons. Terms used in this section have the meanings given to them by Regulation S under the Securities Act.

In addition, until the later of 40 calendar days after the commencement of the offering and the Closing Date an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### United Kingdom

BCI has represented to and agreed with the Issuer in the Note Placement Agreement that:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

### Ireland

BCI has further represented to and agreed with the Issuer in the Note Placement Agreement that:

- (a) other than in circumstances which do not constitute an offer or sale to the public by means of a prospectus within the meaning of the Companies Act, 1963 to 1999 of Ireland (i) prior to application for listing of the Notes being made and the Irish Stock Exchange having approved this Information Memorandum in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, by means of any document or other means of visual reproduction, including electronic means, any of the Notes, (ii) subsequent to application for listing of the Notes being made and the Irish Stock Exchange approving this Information Memorandum in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, any of the Notes by means of any document or other means of visual reproduction, including electronic means, other than this Information Memorandum (or any document including electronic means of visual reproduction approved as aforesaid, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations) and only where this Information Memorandum (or such other listing particulars as aforesaid) is accompanied by an application form or an application form is issued which indicates where this Information Memorandum (or such other listing particulars as aforesaid) can be obtained or inspected and (iii) it has not issued and will not issue at any time, in Ireland or elsewhere, any application form for any of the Notes unless the application form is accompanied by this Information Memorandum (or a document including electronic means of visual reproduction, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations and approved by the Irish Stock Exchange) or the application form indicates where this Information Memorandum or such listing particulars can be obtained or inspected;
- (b) it has not made and will not make at any time any offer of any of the Notes in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply;
- (c) it will not sell any Notes pursuant to this Information Memorandum and it will not take any proceedings on applications made pursuant to this Information Memorandum until the fourth business day in Ireland after the date of this Information Memorandum; and
- (d) it will not underwrite the issue of or place the Notes otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act, 1995 (as amended), including, without limitation, Sections 9, 23 (including any advertising restrictions made thereafter) and 50 and any codes of conduct made under Section 37.

## **General**

Except for listing the Notes on the Official List of the Irish Stock Exchange and delivery of this Information Memorandum to the Registrar of Companies in Ireland, no action has been taken by the Issuer or BCI outside Ireland which would or is intended to permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, BCI has undertaken that it will not, directly or indirectly, offer or sell any Notes in any country or jurisdiction where action for that purpose is required and neither this Information Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations.



## Ireland Taxation

*The following is a summary based on the laws and practices currently in force in Ireland regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.*

### **Withholding Tax**

In general, tax at the standard rate of income tax (currently 22 per cent.) is required to be withheld from payments of Irish source yearly interest which would include interest payable on the Notes. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the **1997 Act**) for certain securities (**quoted Eurobonds**) issued by a body corporate (such as the Issuer) which are in bearer form, interest bearing and quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland, and either:
  - (i) the quoted Eurobond is held in a clearing system recognised by the Irish Revenue Commissioners (Euroclear and Clearstream, Luxembourg are so recognised), or
  - (ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes continue to be in bearer form (whether as Global Notes or as Notes in definitive form), continue to be quoted on the Irish Stock Exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

Irish withholding tax will not have to be deducted from interest payments made before 31 December, 2002 to persons whose usual place of abode is outside Ireland where the company making the payments holds an IFSC certificate (the Issuer holds such a certificate) and the interest is paid by the company in the course of its certified trading activities. Irish withholding taxes will not be deducted from interest payments made after 31 December, 2002 to persons whose usual place of abode is outside Ireland if the Notes were issued prior to 31 December, 2002 on terms which oblige the Issuer to redeem the Notes within 15 years after the date on which the Notes were issued.

If, for any reason, the exemptions referred to above cease to apply, under section 246 of the 1997 Act, the Issuer can pay interest on the Notes in the ordinary course of its business or trade free of withholding tax to a company which is resident in a member state of the European Union (other than Ireland) or in a country with which Ireland has a double taxation agreement. For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to that company in connection with a trade or business carried on through a branch or agency located in Ireland. For non-corporate holders of Notes, interest may be paid free of withholding tax if clearance in the prescribed form has been received under the terms of an applicable double taxation agreement.

Where notes are held by persons who carry on relevant trading operations within the meaning of Section 445 of the 1997 Act or Section 446 of the 1997 Act, interest on the notes may be paid without deduction of tax where an authorisation has been granted by the Revenue Commissioners. An application to the Revenue Commissioners seeking authorisation, which is granted on a case by case basis, must be made by the note holder and the following conditions must be satisfied: a) the loan must be in a foreign currency; b) the making of the loan must be covered by the terms of the certificate of the lending company; c) the loan must be applied by the borrower for the purpose of its own licensed trading operations.

Where the above exemptions do not apply and the Notes are represented by registered Definitive Notes, an amount may have to be withheld on account of Irish income tax at the standard rate (currently 22 per cent.), subject to any direction to the contrary from the Irish Revenue Commissioners in respect of such relief as may be available pursuant to the provision of an applicable taxation treaty.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any Note, where such interest is collected by a bank in Ireland on behalf of any Noteholder who is Irish resident.

### ***Taxation of Noteholders***

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax. Interest paid on the Notes has an Irish source and therefore is within the charge to Irish income tax and levies. Ireland operates a self assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There is an exemption from Irish income tax under Section 198 of the 1997 Act (***Section 198***) where the interest is paid by a company in the ordinary course of its trade or business and the recipient of the interest is a company resident in a member state of the European Union (other than Ireland) or in a country with which Ireland has a double tax treaty. For this purpose, residence is determined under the terms of the relevant double taxation agreement, if such exists, or in any other case, the law of the country in which the recipient claims to be resident.

As the Issuer has an IFSC certificate, a further exemption is available under Section 198. The exemption provides that a person not ordinarily resident in Ireland will not be chargeable to income tax in respect of interest paid by the Issuer in the course of carrying on trading operations to which the certificate issued to it under Section 446 TCA relates until 31 December, 2002. For interest paid by the Issuer after 31 December, 2002 the exemption from Irish income tax will continue to apply provided the Notes were issued before 31 December, 2002 on terms which oblige the Issuer to redeem the Notes within a period 15 years after the date on which the Notes were issued. The exemption under Section 198 does not apply where the interest is paid to a foreign company carrying on business in Ireland through a branch or agency or a permanent establishment to which interest paid by the Issuer is attributable.

Where interest does not fall within the above exemptions, relief from Irish income tax may still be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to Irish income tax. However, it is understood that the Revenue Commissioners have, in the past, operated a practice not to take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

- (c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of the holders of Notes.

### ***Capital Gains Tax***

Provided the Notes are listed on a recognised stock exchange (the Irish Stock Exchange is a recognised stock exchange), a holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes were used or held.

### ***Capital Acquisitions Tax/Probate Tax***

If the Notes are comprised in a gift or inheritance taken from an Irish resident or ordinarily resident disponent, donee or successor, or if any of the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland), the donee or successor of such Notes may be liable to capital acquisitions tax. Accordingly, if Notes are comprised in a gift or inheritance and are physically located in Ireland or if the register of the Notes is maintained in Ireland the donee or successor of such Notes may be liable to capital acquisitions tax, even though neither the disponent nor the donee or successor are resident or ordinary resident in Ireland.

A probate tax is also charged on the value of estates of deceased persons which exceed a specified threshold, to the extent that they pass under a will or on an intestacy. Notes which are physically located in Ireland or the register of which is maintained in Ireland may be within the charge of this tax. Probate tax may also be payable if the deceased is resident or ordinarily resident in Ireland at the date of death.

For the purposes of capital acquisitions tax and probate tax, under current legislation a non-domiciled person will not be treated as resident or ordinarily resident in Ireland for the purposes of the applicable legislation until 1 December 2004 or later and then only in specified circumstances.

### ***Stamp Duty***

Irish Stamp Duty is not chargeable on a transfer by delivery of the Notes.

Where the Notes are issued by a company which will be a qualifying company within the meaning of Section 110 of the 1997 Act (and it is expected that the Issuer will be such a qualifying company) and the monies raised are used by that company in course of its business, no stamp duty or similar tax is imposed in Ireland on the issue, transfer, or redemption of the Notes, whether they are represented by Global Notes or Definitive Notes because of an exemption contained in Section 85(2)(c) of the Stamp Duties Consolidation Act, 1999.

## Listing and General Information

- 1.(a) The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes, the Credit Default Swap, the Deposit Agreement, the creation and operation of the security comprised in the Trust Deed and the other matters referred to in or contemplated by this Information Memorandum. The issue of the Notes, the creation of the security relating thereto and the entry into and performance of the Credit Default Swap, the Deposit Agreement and the other matters referred to in or contemplated by this Information Memorandum were authorised by a resolution of the Board of Directors of the Issuer passed on 4 December, 2000.
- (b) BCI has obtained all necessary consents, approvals and authorisations in connection with the entry into and performance of the Credit Default Swap and the relevant documents to which it is a party.
2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 12 December, 2000, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in Euro and for delivery on the third working day after the day of the transaction.
3. The Issuer was incorporated in Ireland on 30 November, 2000 with registered number 335980.
4. There has been no material adverse change in the financial position of the Issuer since its incorporation.
5. The Issuer is not, and has not been, involved in any 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 incorporation, a significant effect on the Issuer's financial position.
6. Copies of the annual report of the Issuer, the first of which will relate to its financial year ending 31 December, 2001 will be available at the registered office of the Issuer, currently 2 Harbourmaster Place, International Financial Services Centre, Dublin 1, and the offices of the Paying Agent in Dublin. The Issuer does not publish half-yearly financial statements. For at least 14 days from the date of this Information Memorandum, copies of the annual report of BCI which relates to the year ended 31 December, 1999 (and for all subsequent years in which the Notes are in issue) will also be available at the registered office of the Issuer and the offices of the Paying Agent in Dublin.
7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The international securities identification number (ISIN) allocated to the Class A Notes is XS0121597909, to the Class B Notes is XS0121598743, to the Class C Notes is XS0121598972 and to the Class D Notes is XS0121600034. The common code allocated to the Class A Notes is 12159790, to the Class B Notes is 12159874, to the Class C Notes is 12159897 and to the Class D Notes is 12160003.
8. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of Sidley & Austin at 1 Threadneedle Street, London EC2R 8AW, McCann FitzGerald at 2 Harbourmaster Place, International Financial Services Centre, Dublin 1 and at the offices of the Paying Agent in Dublin during the period of 14 days from the date of this document:
  - (i) the Memorandum and Articles of Association of the Issuer;
  - (ii) the Note Placement Agreement;

- (iii) prior to the Closing Date, drafts (subject to modification) and from the Closing Date, copies of the following documents:
- (a) the Trust Deed;
  - (b) the Paying Agency Agreement;
  - (c) the Credit Default Swap;
  - (d) the Deposit Agreement;
  - (e) the Corporate Administration Agreement;
  - (f) the Corporate Officers Agreement; and
  - (g) the Banking Services Agreement.
9. BCI has given and not withdrawn its written consent to the issue of this Information Memorandum with the inclusion of reference to its views, opinions and name and in the form and context in which they are included and has authorised the content of those parts of this Information Memorandum for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended).
10. KPMG, the auditors of the Issuer, have given and not withdrawn their written consent to the issue of this Information Memorandum with the inclusion of their report and references to their name in the form and context in which they are included and have authorised the contents of those parts of this Information Memorandum for the purposes of Section 46 of the Irish Companies Act, 1963 (as amended).
11. This Information Memorandum includes as Appendix 1 a form of application for Notes solely to comply with certain Irish legal requirements. It is not necessary for potential purchasers to complete the application form to apply for Notes. Neither the Issuer nor BCI will be bound in any way whatsoever to issue or sell any Notes to any person who completes and returns such application form.

**APPENDIX 1  
APPLICATION FORM**

**SCALA SYNTHETIC 2 PUBLIC LIMITED COMPANY**

THIS APPLICATION FORM IS ISSUED WITH THIS INFORMATION MEMORANDUM IN ACCORDANCE WITH THE REQUIREMENTS OF THE EUROPEAN COMMUNITIES (STOCK EXCHANGE) REGULATIONS, 1984 (AS AMENDED) OF IRELAND. IF YOU HAVE ALREADY RECEIVED A CONFIRMATION OF YOUR PURCHASE OF NOTES WITH THIS INFORMATION MEMORANDUM, YOU SHOULD NOT TAKE ANY ACTION WITH REGARD TO THIS APPLICATION FORM. NEITHER SCALA SYNTHETIC 2 PUBLIC LIMITED COMPANY NOR BANCA COMMERCIALE ITALIANA S.P.A. SHALL BE BOUND IN ANY WAY WHATSOEVER TO SELL ANY NOTES TO ANY PERSON WHO COMPLETES AND RETURNS THIS APPLICATION FORM

To: Banca Commerciale Italiana S.p.A.  
Piazza della Scala 6  
20121 Milan  
Italy

I/We offer to purchase ..... Notes issued by Scala Synthetic 2 public limited company in the aggregate principal amount of € .....

[specify Class A and/or Class B and/or Class C and/or Class D as appropriate]

MR/MRS/MISS (TITLE)  
FORENAME(S) (IN FULL)  
SURNAME  
ADDRESS (IN FULL)

SIGNATURE

Any joint applicants should complete the following details:

MR/MRS/MISS (TITLE)  
FORENAME(S) (IN FULL)  
SURNAME  
ADDRESS IN FULL

SIGNATURE

MR/MRS/MISS (TITLE)  
FORENAME(S) (IN FULL)  
SURNAME  
ADDRESS IN FULL

SIGNATURE

Listing Particulars in respect of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes have been approved by the Irish Stock Exchange Limited, in accordance with the European Communities (Stock Exchange) Regulation, 1984 (as amended) of Ireland. Copies of such Listing Particulars can be inspected at, or obtained from, the offices of the Principal Paying Agent, AIB International Financial Services Limited, at AIB International Centre, I.F.S.C, Dublin 1.

**REGISTERED OFFICE OF THE ISSUER**  
2 Harbourmaster Place  
International Financial Services Centre  
Dublin 1

**TRUSTEE**  
Bankers Trustee Company Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**PRINCIPAL PAYING AGENT**  
AIB International Financial Services Limited  
P. O. Box 2751  
AIB International Centre  
International Financial Services Centre  
Dublin 1

**NOTE PLACEMENT AGENT**  
Banca Commerciale Italiana SpA  
Piazza della Scala 6  
20121 Milan  
Italy

**NOTE CALCULATION AGENT**  
Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**CORPORATE SERVICES PROVIDER**  
AIB International Financial Services Limited  
P. O. Box 2751  
AIB International Centre  
International Financial Services Centre  
Dublin 1

**CORPORATE OFFICERS PROVIDER**  
Structured Finance Management (Ireland) Limited  
11 Percy Place  
Dublin 4  
Ireland

**COMMON DEPOSITARY**

Bankers Trust Company  
1 Appold Street  
Broadgate  
London EC2A 2HE

**CREDIT DEFAULT SWAP COUNTERPARTY**

Banca Commerciale Italiana SpA  
Piazza della Scala 6  
20121 Milan  
Italy

**AUDITORS**

KPMG  
5 George's Dock  
International Financial Services Centre  
Dublin 1

**LEGAL ADVISERS**

*As to English Law:*  
Sidley & Austin  
1 Threadneedle Street  
London  
EC2R 8AW

*As to Irish Law:*  
McCann FitzGerald  
2 Harbourmaster Place  
International Financial Services Centre  
Dublin 1

and

St Michael's House  
1 George Yard  
Lombard Street  
London  
EC3V 9DF