

**PROSPECTUS dated 29th October, 2010**



**KBC INTERNATIONALE FINANCIERINGSMAATSCHAPPIJ N.V.**

**(KBC IFIMA N.V.)**

*(Incorporated with limited liability in The Netherlands)*

**Unconditionally and irrevocably guaranteed by KBC Bank NV**

*(Incorporated with limited liability in Belgium)*

**Issue of up to € 103,000,000 Fixed Rate Interest and Fund Linked Interest Notes due December 2015 (“KBC Europa Alto Potenziale Dicembre 2015”) (the “Notes”) under the €40,000,000,000 Euro Medium Term Note Programme (the “Programme”)**

Issue Price: 100 per cent.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under the Luxembourg Act dated 10th July, 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) for the approval of this document as a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the “Prospectus Directive”) for the purposes of the offering of the Notes.

Application has also been made to the Luxembourg Stock Exchange for the admission to trading on the Luxembourg Stock Exchange's regulated market and the listing on the Luxembourg Stock Exchange of the Notes by the Issuer pursuant to the Programme.

In addition, MPS Capital Services Banca per le Imprese S.p.A. (“MPSCS”) will apply for the Notes to be admitted to trading on the systematic internaliser (*sistema di internalizzazione sistematica*) named De@l Done Trading (“DDT”) managed solely by MPSCS acting as “exclusive” dealer (*negoziatore unico*).

The Notes will bear interest from (and including) 30th December, 2010 (the “Issue Date”) to (but excluding) 30th December, 2011 at a fixed rate of interest of 3.65 per cent. per annum. Furthermore, the Notes will bear an amount of interest linked to the change in the net asset value of the Fund Interest (as defined in the “Terms and Conditions of the Notes” herein) over the term of the Notes, payable on 30th December, 2015 (the “Maturity Date”).

The Notes will be issued in denominations of €1,000.

Unless previously redeemed or purchased and cancelled, each Calculation Amount in respect of the Notes will be redeemed at par on the Maturity Date. The Notes are subject to early redemption for taxation reasons, on an illegality, following an event of default or following an Additional Disruption Event (as further described under “*Terms and Conditions of the Notes*” herein).

**Prospective investors should have regard to the risk factors described under the heading “*Risk Factors*” on pages 14 to 17 herein for a discussion of certain factors that should be considered in connection with an investment in the Notes.**

Application will be made for the approval of this Prospectus by the CSSF to be notified in accordance with Article 18 of the Prospectus Directive to the competent authority in Italy and this Prospectus will be published in accordance with Article 14 of the Prospectus Directive. Accordingly, offers of Notes may be made by the Issuer, through the Distributors, organised and managed by the Lead Manager (together, the “Financial Intermediaries”, all as defined below) other than pursuant to Article 3(2) of the Prospectus Directive in Italy (the “Public Offer Jurisdiction”) following such publication of this Prospectus provided that such offer is made in the period beginning on 5<sup>th</sup> November 2010 and ending at 5:00 p.m. (Milan time) on 23 December, 2010 and the notification referred to above has been made to the competent authority in Italy, all as more fully described under “Other Information – Terms and Conditions of the Offer” on pages 31 to 39 herein. It is currently expected that the aggregate nominal amount of the Notes will be determined and announced on or around 30<sup>th</sup> December, 2010, following the offering of the Notes at the Issue Price and the completion of the offer described herein under “*Other Information – Terms and Conditions of the Offer*”, but subject to a maximum aggregate nominal issue size of €103,000,000.

Except to the extent specified above, none of the Issuer or the Guarantor have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Guarantor to publish or supplement a prospectus for such offer. See also “Other Information - Terms and Conditions of the Offer” herein.

Lead Manager

**MPS Capital Services Banca per le Imprese S.p.A.**

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended (the “Securities Act”), and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

All references in this document to “euro” or “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

Each of the Issuer and the Guarantor (together, the “Responsible Persons”) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect its import.

This Prospectus may only be used for the purposes for which it has been published.

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

Neither the Lead Manager nor the Distributors have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, save as provided in the applicable laws and regulations, no responsibility or liability is accepted by the Lead Manager or the Distributors as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Notes, their issuance or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer and the Guarantor under the Notes.

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

Neither this Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor, the Lead Manager or the Distributors that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase the Notes. Each investor contemplating purchasing the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Prospectus nor any other information supplied in connection with the Notes constitutes an offer by or on behalf of the Issuer, the Guarantor, the Lead Manager or the Distributors to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Manager expressly does not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Notes.

The distribution of this Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. In particular, this Prospectus has not been submitted for approval to the *Commissione Nazionale per le Società e la Borsa (CONSOB)* or to the *Autoriteit Financiële Markten (the AFM)*.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The Issuer, the Guarantor and the Lead Manager do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Lead Manager or the Distributors which is intended to permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required except Italy. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or the Notes come must inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*” on pages 293 to 300 of the Base Prospectus (as defined below).

## TABLE OF CONTENTS

<b>Section</b>	<b>Page</b>
Documents Incorporated by Reference.....	6
Summary of the Notes .....	9
Risk Factors.....	14
Terms and Conditions of the Notes .....	18
Other Information.....	31
Taxation .....	40
General Information .....	50

## DOCUMENTS INCORPORATED BY REFERENCE

The sections set out below in the cross-reference list of the base prospectus dated 14th July, 2010 issued by the Issuer and the Guarantor in respect of the Programme and which constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive, as supplemented by a supplement dated 24th September, 2010 and a supplement dated 26th October, 2010 (together, the “Base Prospectus”) are incorporated by reference into and form part of this Prospectus. This Prospectus must be read in conjunction with such sections of the Base Prospectus and full information on the Issuer, the Guarantor and the offer of Notes is only available on the basis of the combination of this Prospectus and such sections of the Base Prospectus.

The sections of the Base Prospectus which are not incorporated by reference herein are (to the extent that such information is relevant for the investors) covered elsewhere in this Prospectus.

The following documents (together, the “Financial Information”), which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF, shall also be incorporated in, and form part of, this Prospectus:

- a) the audited non-consolidated annual financial statements of the Issuer for the financial years ended 31st December, 2008 and 31st December, 2009, together, in each case, with the related auditors’ report;
- b) the audited consolidated annual financial statements of the Guarantor for the financial years ended 31st December, 2008 and 31st December, 2009, together, in each case, with the related auditors’ report;
- c) the half yearly non-consolidated financial statements of the Issuer for the six months ended 30th June, 2010; and
- d) the half yearly consolidated financial statements of the Guarantor for the six months ended 30th June, 2010, together with the related auditors’ review report.

Any statements contained in a document incorporated by reference herein shall, to the extent applicable, be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the Luxembourg Stock Exchange’s website at [www.bourse.lu](http://www.bourse.lu) and from the registered office of the Issuer. This Prospectus will also be published on the Luxembourg Stock Exchange’s website at [www.bourse.lu](http://www.bourse.lu).

Any information not listed in the cross-reference list, but included in the documents incorporated by reference, is given for information purposes only.

Cross-reference list in respect of the “Documents Incorporated by Reference”:

Documents	Page Number
<b>Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31st December, 2009</b>	
Balance Sheet	3
Profit and Loss Account	4
Cash Flow Statement	5
Notes to the Financial Statements	6-17
Auditors' Report	19-20
<b>Audited non-consolidated annual financial statements of the Issuer for the financial year ended 31st December, 2008</b>	
Balance Sheet	3
Profit and Loss Account	4
Cash Flow Statement	5
Notes to the Financial Statements	6-19
Auditors' Report	21-22
<b>Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31st December, 2009</b>	
Balance Sheet	53-54
Profit and Loss Account	51-52
Cash Flow Statement	56-58
Notes to the Financial Statements	59-116
Auditors' Report	49-50
<b>Audited consolidated annual financial statements of the Guarantor and its consolidated subsidiaries for the financial year ended 31st December, 2008</b>	
Balance Sheet	43
Profit and Loss Account	42

Cash Flow Statement	46-47
Notes to the Financial Statements	48-100
Auditors' Report	40-41
<b>Unaudited financial statements of the Issuer for the half year ended 30th June, 2010</b>	
Balance Sheet	3
Profit and Loss Statement	4
Cash Flow Statement	5
Notes to the Financial Statements	6
<b>Unaudited consolidated financial statements of the Guarantor and its consolidated subsidiaries for the half year ended 30th June, 2010</b>	
Balance Sheet	13
Income Statement	11-12
Cash Flow Statement	15
Notes to the Financial Statements	16-31
Auditors' Review Report	32
<b>Risk Factors</b>	17-42 of the Base Prospectus
<b>Form of the Notes</b>	46-47 of the Base Prospectus
<b>Terms and Conditions of the Notes</b>	123-237 of the Base Prospectus
<b>Use of Proceeds</b>	238 of the Base Prospectus
<b>Form of the Guarantee</b>	239-244 of the Base Prospectus
<b>Description of the Issuer</b>	245-249 of the Base Prospectus
<b>Description of the Guarantor</b>	250-276 of the Base Prospectus
<b>Subscription and Sale</b>	293-300 of the Base Prospectus
<b>General Information (save for the sections entitled "Significant or Material Change", "Litigation" and "Post-issuance information")</b>	301-310 of the Base Prospectus



## SUMMARY OF THE NOTES

The following is a brief summary only and should be read in conjunction with the rest of this Prospectus and, in particular, the Terms and Conditions of the Notes on pages 18 to 30 herein. Any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor.

Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Issuer or the Guarantor in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

*Words and expressions used in this Summary but not otherwise defined shall have the meaning given to them in the "Terms and Conditions of the Notes" on pages 18 to 30 herein.*

### Information relating to the Issuer and the Guarantor

Issuer: KBC IFIMA N.V., a wholly owned subsidiary of the Guarantor, was incorporated in The Netherlands on 15th April, 1982 in the form of a limited liability company.

Business of the Issuer: The Issuer assists in the financing of the activities of companies belonging to the Group (meaning the Guarantor and its subsidiaries).

Guarantor: KBC Bank NV, a wholly-owned subsidiary of KBC Group NV, was incorporated in Belgium on 17th March, 1998 in the form of a company with limited liability.

Business of the Guarantor: The Guarantor is a multi-channel bank that caters primarily for private persons and small and medium-sized companies. Its geographic focus is on Europe. In its two home markets (Belgium and Central and Eastern Europe), the Guarantor has a very important and (in some cases) a leading position. In the rest of the world, the Guarantor has a selective presence in certain countries or areas. The Guarantor's core business is retail and private bancassurance (including asset management) in its two home markets, though it is also active in services to corporations and market activities.

Risk Factors: There are certain factors that may affect the Guarantor's ability to fulfil its obligations under the Notes. These include (i) risks relating to economic activity in the markets in which it operates and (ii) risks relating to its business activities, including credit risk, market risk, operational risk and liquidity risk.

There are certain factors which are material for the purpose of assessing the market risks associated with investing in the Notes, which include, without limitation, the fact that Notes are unsecured obligations of the Issuer, that there may be a time lag between valuation and settlement in relation to a Note, that there may be potential conflicts of interest, that market disruptions or other events may occur in respect of the Fund Interests and/or the Fund to which the interest amounts relate, that there may be taxation risks, that there may be illiquidity of the Notes in the secondary market, that there may be the risk that

performance of the Issuer's obligations under the Notes may become illegal, that there may be exchange rate risks and exchange controls and that the market value of the Notes may be affected by the creditworthiness of the Issuer and/or the Guarantor and a number of additional factors.

In addition, prospective investors in the Notes should note that a fund linked interest amount may be payable under the Notes which is calculated by reference to the change in the net asset value of the Fund Interest over the term of the Notes.

Potential investors in any such Notes should be aware that (i) they may receive a limited amount of interest, (ii) payment of principal and/or interest may occur at a different time than expected and (iii) in certain limited circumstances, the principal may not be repaid in full.

Prospective investors should note that the Issuer may elect to de-list the Notes.

The Lead Manager and the Distributors are, with respect to the placement of the Notes, in a position of conflict of interest with the investors, as further described page 16 herein.

See "Risk Factors" in the Base Prospectus from pages 17 to 42 and at pages 14 to 17 herein.

**PROSPECTIVE INVESTORS MUST REVIEW THE TERMS AND CONDITIONS OF THE NOTES TO ASCERTAIN HOW THE INTEREST AMOUNTS ARE PAYABLE HOW ANY PERIODIC INTEREST PAYMENTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE BEFORE MAKING ANY DECISION TO PURCHASE ANY NOTES.**

Lead Manager	MPS Capital Services Banca per le Imprese S.p.A.
Issuing, Listing and Principal Paying Agent:	KBL European Private Bankers S.A.
Calculation Agent:	KBC Bank NV.
Offer Amount:	Up to €103,000,000 in aggregate nominal amount to be issued on or about 30th December, 2010 (the "Issue Date").
Public Offer:	The Notes will be publicly offered in the Republic of Italy by the Issuer through the Distributors, as organised and managed by the Lead Manager, other than pursuant to Article 3(2) of the Prospectus Directive during the period from (and including) 5 <sup>th</sup> November, 2010 to (and including) 23 <sup>rd</sup> December, 2010.
Form of the Notes:	The Notes will be issued in bearer form, as described in the " <i>Form of the Notes</i> " in the Base Prospectus.
Issue Price:	100 per cent.
Maturity Date:	30 <sup>th</sup> December, 2015.
Fixed Rate Interest and Fund Linked Interest:	3.65 per cent. per annum Fixed Rate Interest in respect of the period from (and including) the Issue Date to (but excluding) 30th December, 2011.  Fund Linked Interest payable on the Maturity Date calculated by reference to

the following formula:

$$\text{Calculation Amount} \cdot \max \left[ 0.00\%; 75\% \cdot \frac{NAV_M - NAV_0}{NAV_0} \right]$$

Where:

“Net Asset Value” means, in respect of a Fund Valuation Date, the net asset value of the Fund Interest as published by or on behalf of the Fund (or its Fund Administrator) on such Fund Valuation Date.

“NAV<sub>M</sub>” means the average of the Net Asset Value of the Fund Interest on each of the Valuation Dates, calculated as follows:

$$NAV_M = \frac{1}{5} \times \sum_{i=1}^5 NAV_i$$

“NAV<sub>i</sub>” means, in respect of a Valuation Date, the Net Asset Value of the Fund Interest on such Valuation Date.

“NAV<sub>0</sub>” means the Net Asset Value of the Fund Interest on the Trade Date.

“Fund” means PRIMAstrategia Europa Alto Potenziale (Bloomberg page: DUGEAPY IM Equity; ISIN: IT0004301518).

“Fund Interest” means a unit in the Fund.

“Valuation Date” means 16 December in each year from (and including) 16th December, 2011 to (and including) 16th December, 2015 or if any such day is not a Scheduled Fund Valuation Date, the immediately succeeding day which is a Scheduled Fund Valuation Date.

Trade Date	Trade Date means 30th December, 2010 or if such day is not a Scheduled Fund Valuation Date, the immediately succeeding day which is a Scheduled Fund Valuation Date.
Redemption Amount:	Redemption at par.
Early Redemption:	Early redemption will be permitted for taxation reasons, following an Event of Default, on an illegality or on the occurrence of an Additional Disruption Event (as described below).
Disrupted Day:	In the event that either the Trade Date or any Valuation Date is a Disrupted Day, such Trade Date or Valuation Date shall be the first succeeding Scheduled Fund Valuation Date which is not a Disrupted Day provided that if each of the eight succeeding Scheduled Fund Valuation Dates immediately following such original Trade Date or Valuation Date are Disrupted Days, then the Calculation Agent shall determine its good faith estimate of the Net Asset Value for the Fund Interest for that eighth Scheduled Fund Valuation Date. Notwithstanding the above, the Calculation Agent may also determine that a Fund Extraordinary Event has occurred.
Fund Potential Adjustment Events:	Upon the occurrence of the relevant event, the Notes may be subject to adjustment or the Fund Interest the subject of such an event may be substituted by a replacement fund interest.

Fund Events:	Extraordinary	Upon the occurrence of a Fund Extraordinary Event, the Notes may be subject to adjustment or the Fund Interest the subject of such an event may be substituted by a replacement fund interest or, if an appropriate replacement fund interest cannot be selected, by an index which covers substantially the same geographical area as the investments in which the Fund, to which the Fund Interest the subject of such an event relates, invests, and taking into account such Fund's investment objectives.
Additional Events:	Disruption	Upon the occurrence of any of any Additional Disruption Event (being a Change in Law or Hedging Disruption), the Notes may be subject to adjustment or the Notes may be redeemed early.
Taxation:		For a description of the tax considerations in Italy, see the section entitled "Taxation – Italy" herein on pages 45 to 49 of this Prospectus. All payments in respect of the Notes will be made without deduction of withholding taxes imposed within The Netherlands (in the case of payments by the Issuer) or Belgium (in the case of the Guarantor) subject as provided in Condition 11(a) of the Conditions. In the event that any such deduction is made, the Issuer or, as the case may be, the Guarantor, will be required to pay additional amounts to cover the amounts so deducted. Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.
Governing Law:		The Notes and the Guarantee will be governed by, and construed in accordance with, English law except that Condition 2(a)(iii) and 2(b)(iii) of the Conditions will be governed by Belgian Law and Clause 7 of the Guarantee will be governed by Belgian law.
Listing and admission to trading:		<p>Application has also been made to the Luxembourg Stock Exchange for the admission to trading on the Luxembourg Stock Exchange's regulated market and the listing on the Luxembourg Stock Exchange of the Notes by the Issuer pursuant to the Programme.</p> <p>Notwithstanding the above no assurance can be given that the Notes will be admitted to trading or that an active secondary market will effectively develop in respect of the Notes even if admitted to trading on the above mentioned regulated market. In fact, neither the Issuer nor the Guarantor will provide bid/ask prices or appoint price/market makers.</p> <p>In addition, MPSCS will apply for the Notes to be admitted to trading on the systematic internaliser (<i>sistema di internalizzazione sistematica</i>) named De@l Done Trading ("DDT") managed solely by MPSCS acting as "exclusive" dealer (<i>negoziatore unico</i>).</p> <p>In relation to the Notes MPS Capital Services Banca per le Imprese S.p.A. shall enter into a liquidity agreement with the Distributors. Under this agreement it shall be bound to make bid/ask prices which, referring to the Issuer's creditworthiness, will be determined as follows:</p> <p>a) until the total notional amount repurchased by MPSCS is less than or equal to the 5 per cent. of the nominal amount of Notes effectively placed, the price shall reflect the Issuer's funding level for the Notes themselves, equal to 3 months EURIBOR plus the funding spread equal to 1.68 per cent.; and</p>

- b) after that threshold has been reached, for the total remaining part of 95 per cent. of the nominal amount effectively placed the price shall reflect the prevailing market conditions as of the relevant purchase/selling date. In that case the 3 months EURIBOR will be increased by a different spread expressed by the asset swap spread, increased of a 0,15 per cent., of some specific Issuer's benchmark debt securities.

To the price so determined, will be added, in case of purchase by the investor, a margin up to a maximum of 0.35 per cent. of the amount that will be purchased, or will be taken away, in case of sale by the investor, a margin up to a maximum of 1.50 per cent. of the amount to be sold.

Within 5 Business Days following, MPS Capital Services Banca per le Imprese S.p.A. shall publish on its website [www.mpscapitalservices.it](http://www.mpscapitalservices.it) a notice informing the investors about the raising of 70 per cent. of the threshold sub (a) above.

Furthermore, within 5 Business Days following, MPS Capital Services Banca per le Imprese S.p.A. shall publish on its website [www.mpscapitalservices.it](http://www.mpscapitalservices.it) a notice informing the investors about the raising of 100 per cent. of the threshold sub (a) above.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, France, The Netherlands, Japan, Italy, the Czech Republic, Poland and the Republic of Slovenia. See "*Subscription and Sale*" in the Base Prospectus.

The Issuer is a Category 2 Issuer and the Notes will be issued in compliance with the TEFRA D Rules.

## RISK FACTORS

THE PURCHASE OF THE NOTES INVOLVES SUBSTANTIAL RISKS AND MAY BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION SET FORTH IN THE BASE PROSPECTUS (INCLUDING “*RISK FACTORS*” ON PAGES 17 TO 42 THEREOF WHICH ARE INCORPORATED BY REFERENCE HEREIN), THIS PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND (II) ALL THE INFORMATION SET FORTH IN THE TERMS AND CONDITIONS OF THE NOTES.

*Prospective purchasers should conduct their own investigations and, in deciding whether or not to purchase the Notes, prospective purchasers should form their own views of the merits of an investment related to the Fund based upon such investigations and not in reliance upon any information given in this Prospectus or the Base Prospectus and without relying on the Issuer or the Guarantor.*

*Investors should note that if the Notes are redeemed prior to the Maturity Date following an early redemption for taxation reasons, on the occurrence of an event of default, illegality or on the occurrence of an Additional Disruption Event, the amounts payable to Noteholders on early redemption will be par less any costs to the Issuer (or any of its affiliates) of unwinding any underlying or related hedging and funding arrangements, all as determined by the Calculation Agent.*

*Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in “Terms and Conditions of the Notes” below.*

### ***Fund Linked Interest Amount***

The Fund Linked Interest Amount depends on the performance of the Fund and of its investments. In order to appreciate the risks deriving from the investment of the Fund’s assets in financial instruments, the following elements need to be considered:

- (a) **risk associated with price change:** the price of each financial instrument depends from the peculiar characteristics of the issuer, from the performance of the markets and investment sectors, and can vary in a more or less accentuated way depending on its nature. In general, the change in the shares price is related to the income prospects of the companies issuing and may entail the reduction or even the loss of invested capital, while the value of the bonds is influenced by the interest rates’ market and by the assessments on the ability of the issuer to meet the interest payments due as well as the reimbursement of the debt capital at maturity;
- (b) **risk associated with liquidity:** the liquidity of the financial instruments, i.e. their ability to promptly transform themselves into currency without the impairment loss, depends from the market characteristics in which they are treated. In general, securities traded on regulated markets are more liquid, therefore less risky as they can be mobilised more easily than securities not traded on such markets. Moreover, the absence of an official listing complicates the appreciation of the effective value of the stock, whose determination may be referred to discretionary judgment;
- (c) **risk associated with currency denomination:** for investment in securities denominated in a currency other than that in which the fund is denominated, the variability of the exchange rate

between the reference currency of the fund and the foreign currency in which the investments are denominated should be kept in mind;

- (d) **risk associated with the use of derivatives:** the use of derivatives allows parties to assume positions of risk on financial instruments exceeding the initial disbursements incurred to open such positions (leverage). Consequently, a relatively small change in market prices has an amplified impact in terms of gains or losses on the managed portfolio as opposed to cases in which the leverage is not used.

The Fund linked interest amount (if any) payable under the Notes is calculated by reference to the change in the net asset value of the Fund Interest over the term of the Notes.

Potential investors in any such Notes should be aware that (i) they may receive a limited amount of interest, (ii) payment of principal and/or interest may occur at a different time than expected and (iii) in certain limited circumstances, the principal may not be repaid in full. In addition, movements in the value of the Fund Interest may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices.

The value of the Fund Interests may be affected by the performance of the fund service provider, and in particular, the relevant fund adviser.

None of the fund administrator, adviser and manager have participated in the preparation of this Prospectus or in establishing the terms of the Notes and none of the Issuer and the Guarantor have made or will make any investigation or enquiry in connection with such offering with respect to the information concerning the Fund described herein. Consequently, there can be no assurance that all events occurring prior to the Issue Date (including events that would affect the accuracy or completeness of this Prospectus) that would affect the value of the Fund Interests will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Fund could affect the value of the Fund Interests and therefore the trading price of the Notes.

If a Fund Extraordinary Event occurs, prospective purchasers should note that the Notes may be subject to (A) adjustment by the Calculation Agent or (B) the substitution of the Fund Interest the subject of such an event by a replacement fund interest, selected by the Calculation Agent, or, if an appropriate replacement fund interest cannot be selected, by an index which covers substantially the same geographical area as the investments in which the Fund, to which the Fund Interest the subject of such an event relates, invests, and taking into account such Fund's investment objectives, selected by the Calculation Agent, as further provided in Schedule 1 of the Terms and Conditions of the Notes.

If a Fund Potential Adjustment Event occurs, prospective purchasers should note that the Notes may be subject to (A) adjustment by the Calculation Agent or (B) the substitution of the Fund Interest the subject of such an event by a replacement fund interest selected by the Calculation Agent, as further provided in Schedule 1 of the Terms and Conditions of the Notes.

If an Additional Disruption Event occurs, prospective purchasers should note that the Notes may be subject to (A) adjustment by the Calculation Agent or (B) the Issuer may also redeem the Notes early at the Early Redemption Amount specified in the Terms and Conditions of the Notes, as further provided in Schedule 1 of the Terms and Conditions of the Notes.

The market price of such Notes may be volatile and may be affected by the time remaining to the redemption date, the volatility of the value of the Fund Interest as well as economic, financial and political events in one or more jurisdictions.

### ***Impact of implicit fees on the Issue Price***

Investors should note that implicit fees (i.e. placement fees and management fees) will be a component of the Issue Price of the Notes, but such fees will not be taken into account for the purposes of determining the price of the Notes in the secondary market.

Investors should also take into consideration that if the Notes are sold on the secondary market immediately following the offer period, the implicit fees included in the Issue Price on initial subscription for such Notes will be deducted from the price at which such Notes may be sold in the secondary market.

### ***Liquidity Risk***

None of the Issuer, the Guarantor and the Distributors intend to provide a market for the Notes. The only way in which a holder can realise value from a Note prior to maturity is to sell it at its then market price in the market, which may be less than the amount initially invested.

MPSCS will apply for the Notes to be admitted to trading on De@lDone Trading, a systematic internaliser managed and organised by MPS Capital Services Banca per le Imprese S.p.A. in accordance with Article 1, Paragraph 5-ter, of the Financial Services Act and the laws and regulations applicable from time to time. The responsibility in acting as *internalizzatore sistematico* is attributable solely to MPS Capital Services Banca per le Imprese S.p.A. Both the repurchase price (*prezzo denaro*) and the transfer price (*prezzo lettera*) of the Notes will be determined by MPS Capital Services Banca per le Imprese S.p.A. See the paragraph “*Other Information – Listing and Admission to Trading*” below on page 31.

### ***Risk related to the quantitative limits of the repurchase on secondary market***

Once MPSCS has reached the maximum amount of repurchase of the Notes at prices that reflect the Issuer’s funding level for the Notes themselves, the price shall reflect the prevailing market conditions as of the relevant purchase/selling date. The prices so proposed could result lower than the prices that reflect the Issuer’s funding level.

### ***Changes in any applicable tax law or practice***

Any relevant tax law or practice applicable as at the date of this Prospectus and/or the date of purchase or subscription of the Notes may change at any time (including during any subscription period or the term of the Notes). Any such change may have an adverse effect on a Noteholder, including that the Notes may be redeemed before their due date, their liquidity may decrease and/or the tax treatment of amounts payable or receivable by or to an affected Noteholder may be less than otherwise expected by such Noteholder.

### ***The Issuer may elect to de-list the Notes***

Although the Notes will be admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Luxembourg Stock Exchange, there is no guarantee that the Notes will remain admitted and/or listed and there is no assurance that the secondary market on the Luxembourg Stock Exchange will be effective. Notice of any de-listing will be given as described in Condition 17 of the Conditions in the Base Prospectus. Neither the Issuer nor the Guarantor will provide bid/ask prices or appoint price/market makers. In addition, MPS Capital Services Banca per le Imprese S.p.A. (“MPSCS”) has undertaken to the Issuer that it will apply for the Notes to be admitted to trading on the systematic internaliser (*sistema di internalizzazione sistematica*) named “De@lDone Trading” (DDT), managed solely by MPSCS acting as “exclusive dealer” (*negoziatore unico*).

Accordingly, an investment in the Notes is only suitable for investors who (either alone or in conjunction with an appropriate financial adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

### ***Conflicts of Interest***

The Lead Manager and the Distributors are, with respect to the placement of the Notes, in a position of conflict of interest with the investors as they are part of the same banking group (the Montepaschi Banking Group) and also because of their interests related to the distribution of the Notes.

The Lead Manager also acts as arranger and counterparty of the hedging agreement entered into by KBC Bank NV, as Guarantor, in relation to the Notes. The Lead Manager will receive a Management Fee equal to



0.80 per cent. of the Aggregate Principal Amount of the Notes and, the Distributors will effectively receive a Placement Fee equal to 3.20 per cent. of the Aggregate Principal Amount of the Notes, all of which are embedded in the Issue Price of the Notes (and will therefore be borne by investors).

It should be noted that De@IDone Trading is a systematic internaliser managed and organised by MPS Capital Services Banca per le Imprese S.p.A. It should also be noted that MPS Capital Services Banca per le Imprese S.p.A acts as exclusive dealer (*negoziatore unico*) on the market maker on De@IDone Trading.

It should also be noted that Banca Monte dei Paschi di Siena S.p.A., holding company of the same banking group of the Lead Manager and the Distributors (the Montepaschi Banking Group) indirectly retains an equity interest in the share capital in PRIMA SGR S.p.A., which manages the Fund.

The Guarantor is acting also as Calculation Agent for the Notes. The Calculation Agent is entitled to carry out a series of determinations which affect the Notes. Such determinations could have an adverse effect on the value of the Notes and on the amounts payable to investors under the Terms and Conditions of the Notes, whether in the case of an Early Redemption Event or at maturity, giving rise to a potential conflict of interest in respect of the interests of the Noteholders.

Prospectus investors should also read the section in the Base Prospectus entitled “*Risk Factors – General risks related to a particular issue of Notes – Conflicts of interest*” on page 38 which is incorporated by reference herein.

## TERMS AND CONDITIONS OF THE NOTES

The Terms and Conditions of the Notes shall consist of the terms and conditions set out in the Base Prospectus on pages 123 to 237 which are incorporated by reference herein (the “Conditions”) as amended and/or supplemented as set out below on pages 18 to 30. Any reference in the Conditions and in the Global Notes to “the Final Terms” shall be deemed to refer to the terms set out on pages 18 to 30 below.

1. (i) Series Number: 4093  
(ii) Tranche Number: 1
2. Status of Notes: Senior Guaranteed Notes
3. Specified Currency or Currencies: Euro (“EUR”)
4. Aggregate Nominal Amount:
  - (i) Series: Up to EUR 103,000,000
  - (ii) Tranche: Up to EUR 103,000,000
5. Issue Price: 100 per cent. of the Aggregate Nominal Amount
6. (i) Specified Denominations: EUR 1,000  
(ii) Calculation Amount: EUR 1,000
7. (i) Issue Date: 30th December, 2010  
(ii) Interest Commencement Date (if different from the Issue Date): Issue Date
8. (i) Maturity Date: 30th December, 2015  
(ii) Business Day Convention for Maturity Date: Following Business Day Convention  
The Additional Business Centre is Milan.
9. Interest Basis: 3.65 per cent. Fixed Rate as described in item 15 below  
Fund Linked Interest Linked as described in item 20 below
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest Basis or Redemption/Payment Basis: Applicable, as set out in item 9 above and items 15 and 20 below.
12. Put/Call Options: Not Applicable
13. Tax Gross-Up: Condition 11(a) of the Conditions applies
14. Method of distribution: The Notes will be distributed in Italy by way of a public offer through the Distributors, as organised and managed by the Lead Manager.

In particular, in connection with the offer, **MPS Capital Services Banca per le Imprese S.p.A.** having its registered office at Via

L. Pancaldo 4, Firenze, (Offices: viale Mazzini 23, Siena) will act as Lead Manager (the “Lead Manager” or “Responsabile del Collocamento”) as defined under article 93-bis of the Legislative Decree no. 58 of 1998 (the “Italian Financial Services Act”) but will not act as Distributor (as defined below) and will not place any Notes to the public in the Republic of Italy (Italy).

The Notes will be publicly offered in Italy through the following institutions (each a “Distributor” and together the “Distributors”):

**Banca Monte dei Paschi di Siena S.p.A.**

Piazza Salimbeni, 3  
53100 Siena – Italy  
(website: [www.mps.it](http://www.mps.it))

**Banca Antonveneta S.p.A.**

Piazzetta Turati 2  
35131 Padova – Italy  
(website: [www.antonveneta.it](http://www.antonveneta.it))

**Biverbanca Cassa di Risparmio di Biella e Vercelli S.p.A.**

Via Carso, 15  
13900 Biella – Italy  
(website: [www.biverbanca.it](http://www.biverbanca.it))

The Notes will be placed into Italy without any underwriting commitment by the Distributors and no undertakings have been made by third parties to guarantee the subscription of the Notes.

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15.	Fixed Rate Note Provisions	Applicable
(i)	Rate of Interest:	3.65 per cent. per annum
(ii)	Interest Period End Date(s):	30th December, 2011
(iii)	Business Day Convention for Interest Period End Dates:	Not Applicable
(iv)	Interest Payment Date(s):	30th December, 2011
(v)	Business Day Convention for Interest Payment Dates:	Following Business Day Convention
(vi)	Additional Business Centre(s):	Milan
(vii)	Fixed Coupon	Not Applicable

Amount[s]: (Applicable to Notes in definitive form.)

- |        |  |   |
|--------|--|---|
| (viii) | Broken Amount[s]: (Applicable to Notes in definitive form.)                      | €36.50 only in the event that the Notes are in definitive form  |
| (ix)   | Day Count Fraction:  | Actual/Actual (ICMA) (unadjusted)   |
| (x)    | Determination Date(s):   | Not Applicable  |
| (xi)   | Other terms relating to the method of calculating interest for Fixed Rate Notes: | Not Applicable  |
| 16.    | Floating Rate Note Provisions  | Not Applicable  |
| 17.    | Zero Coupon Note Provisions  | Not Applicable  |
| 18.    | Index Linked Interest Note Provisions  | Not Applicable  |
| 19.    | Equity Linked Interest Note Provisions   | Not Applicable  |
| 20.    | Fund Linked Interest Note Provisions   | Applicable. The Notes are Fund Linked Interest Notes and the provisions set out below and in Schedule 1 apply thereto |
| (i)    | Formula for calculating interest rate including back up provisions:              | The Fund Linked Interest Amount (if any) shall be payable in respect of each Calculation Amount on the Maturity Date  |

“Fund Linked Interest Amount” means:

$$CalculationAmount \cdot \max \left[ 0.00\%; 75\% \cdot \frac{NAV_M - NAV_0}{NAV_0} \right]$$

“Net Asset Value” means, in respect of a Fund Valuation Date, the net asset value of the Fund Interest as published by or on behalf of the Fund (or its Fund Administrator) on such Fund Valuation Date.

“NAV<sub>M</sub>” means the average of the Net Asset Value of the Fund Interest on each of the Valuation Dates, calculated as follows:

$$NAV_M = \frac{1}{5} \times \sum_{i=1}^5 NAV_i$$

“NAV<sub>i</sub>” means, in respect of a Valuation Date, the Net Asset Value of the Fund Interest on such Valuation Date.

“NAV<sub>0</sub>” means the Net Asset Value of the Fund Interest on the Trade Date.

“Fund” means PRIMAsstrategia Europa Alto Potenziale (Bloomberg page: DUGEAPY IM Equity; ISIN: IT0004301518).

“Fund Interest” means a unit in the Fund.

- (ii) Whether the Notes relate to a basket of fund interests or a single fund interest, and the identity of the relevant Fund(s): Single Fund Interest
- (iii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) and for making calculations: KBC Bank NV, with registered office at Havenlaan 2, 1080 Brussels, Belgium.
- (iv) Specified Period(s)/Specified Interest Period End Dates: Not Applicable
- (v) Business Day Convention for Interest Period End Dates: Not Applicable
- (vi) Interest Payment Dates: Maturity Date
- (vii) Business Day Convention for Interest Payment Dates: Following Business Day Convention
- (viii) Additional Business Day Centre(s): Milan
- (ix) Minimum Rate of Interest: 0 per cent.
- (x) Maximum Rate of Interest: Not Applicable
- (xi) Day Count Fraction: 1/1
- (xii) Fund Potential Adjustment Events: Applicable – See Schedule 1 attached hereto
- (xiii) Valuation Date(s): 16 December in each year from (and including) 16th December, 2011 to (and including) 16th December, 2015 or if any such day is not a Scheduled Fund Valuation Date, the immediately succeeding day which is a Scheduled Fund Valuation Date (each, a “Valuation Date”), or if any such Valuation Date is a Disrupted Day, such Valuation Date shall be the first succeeding Scheduled Fund Valuation Date which is not a Disrupted Day provided that if each of the eight succeeding Scheduled Fund Valuation Dates immediately following such original Valuation Date are Disrupted Days, then the Calculation Agent shall determine its good faith estimate of the Net Asset Value for the Fund Interest on such eighth Scheduled Fund Valuation Date. Notwithstanding the above, the Calculation Agent may also determine that a Fund Extraordinary Event has occurred
- (xxiv) Valuation Time: Any time on each Valuation Date
- (xv) Strike Price: Not Applicable

- (xvi) Exchange Rate: Not Applicable
- (xvii) Trade Date: 30th December, 2010 or if such day is not a Scheduled Fund Valuation Date, the immediately succeeding day which is a Scheduled Fund Valuation Date, or if any such Trade Date is a Disrupted Day, such Trade Date shall be the first succeeding Scheduled Fund Valuation Date which is not a Disrupted Day PROVIDED THAT if each of the eight succeeding Scheduled Fund Valuation Dates immediately following such original Trade Date are Disrupted Days, then the Calculation Agent shall determine its good faith estimate of the Net Asset Value for the Fund Interest on such eighth Scheduled Fund Valuation Date. Notwithstanding the above, the Calculation Agent may also determine that a Fund Extraordinary Event has occurred.

- (xviii) Other terms or special conditions: Not Applicable

Not Applicable

21. Commodity Linked Interest Note Provisions

22. Currency Linked Interest Note Provisions Not Applicable

23. Inflation Linked Interest Note Provisions Not Applicable

24. Dual Currency Note Provisions Not Applicable

25. Additional Disruption Events Applicable

Change in Law – See Schedule 1 attached hereto

Hedging Disruption – See Schedule 1 attached hereto

#### **PROVISIONS RELATING TO REDEMPTION**

26. Issuer Call Not Applicable

27. Investor Put Not Applicable

28. Final Redemption Amount: 100 per cent.

29. Early Redemption Amount: With respect to each Calculation Amount, such amount(s) determined by the Calculation Agent which shall equal €1,000 in respect of each Calculation Amount plus accrued interest (if any), less any costs to the Issuer (or any of its affiliates) of unwinding any underlying or related hedging and funding arrangements, all as determined by the Calculation Agent. For the purposes hereof:

- (i) the references to “together (if appropriate) with interest accrued to (but excluding) the date of redemption” shall be deemed to be deleted from each of Condition 5(b) and Condition 5(h) of the Conditions; and
- (ii) the references to “together with accrued interest thereon to the date of repayment” shall be deemed to be deleted from Condition 13 of the Conditions.

30.	Currency Linked Redemption Notes:	Not Applicable
31.	Inflation Linked Redemption Notes:	Not Applicable
32.	Index Linked Redemption Notes:	Not Applicable
33.	Equity Linked Redemption Notes:	Not Applicable
34.	Credit Linked Notes:	Not Applicable
35.	Commodity Linked Redemption Notes:	Not Applicable

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

37.	Form of Notes:	
	(i) Form:	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes only upon an Exchange Event
	(ii) New Global Note:	No
38.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Milan
39.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
40.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
41.	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	Not Applicable
	(ii) Instalment Date(s):	Not Applicable
42.	If the Specified Currency is the currency of a member state of the European Union, whether a	Redenomination not applicable

Redenomination Clause is to be included:

43. Consolidation provisions: Not Applicable
44. Other final terms: Not Applicable

## **DISTRIBUTION**

45. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): Not Applicable
46. If non-syndicated, name and address of the Lead Manager: See Item 14 above
47. Total commission and concession: In connection with the offer, the Guarantor shall pay to each Distributor (through the Lead Manager) a Placement Fee of 3.20 per cent. of the Aggregate Nominal Amount of the Notes effectively placed through each of them. In addition, the Guarantor shall pay to the Lead Manager a Management Fee of 0.80 per cent. of the Aggregate Nominal Amount of the Notes effectively placed. Accordingly, the effective total commission in relation to the Notes will be 4.00 per cent. of the Aggregate Nominal Amount of the Notes effectively placed, which is included in the Issue Price of the Notes.
48. U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA D
49. Non-exempt Offer: An offer of the Notes may be made by the Issuer, through the Distributors other than pursuant to Article 3(2) of the Prospectus Directive in Italy (the “**Public Offer Jurisdiction**”) during the period from (and including) 5<sup>th</sup> November, 2010 to (and including) 23<sup>rd</sup> December, 2010 (the “**Offer Period**”). See further item 14 above and “Other Information – Terms and Conditions of the Offer” below

## **PURPOSE OF TERMS AND CONDITIONS OF THE NOTES**

These Terms and Conditions of the Notes comprise the final terms required for issue and public offer in the Public Offer Jurisdiction and admission to the official list and to trading on the regulated market of the Luxembourg Stock Exchange of the Notes described herein

## **RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in these Terms and Conditions of the Notes.



Signed on behalf of the Issuer:

By:

*Duly authorised*

Signed on behalf of the Guarantor:

By:

*Duly authorised*

## **SCHEDULE 1**

As the Notes are Fund Linked Interest Notes, the additional provisions set out in this Schedule 1 will apply.

### **1. Fund Potential Adjustment Event**

Following the declaration by the Fund, or by the Fund Administrator on behalf of the Fund, of the terms of any Fund Potential Adjustment Event, the Calculation Agent will determine whether such Fund Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the relevant Fund Interests and, if so, will (a) either (A) make the corresponding adjustment, if any, to any one or more of the relevant Interest Amount and/or any of the other terms of these Terms and Conditions of the Notes as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or distributions or liquidity (if any) relative to the relevant Fund Interest) or (B) substitute the Fund Interest the subject of the Fund Potential Adjustment Event with a replacement fund interest (a "Replacement Fund Interest") selected by the Calculation Agent and the Calculation Agent shall determine the adjustments, if any, to be made to these Terms and Conditions of the Notes to account for such substitution and (b) determine the effective date of that adjustment or substitution, as the case may be.

Upon making any such adjustment, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 of the Conditions, stating the adjustment to the relevant Interest Amount and/or any of the other terms of these Terms and Conditions of the Notes and giving brief details of the Fund Potential Adjustment Event.

For the purposes hereof:

"Fund Potential Adjustment Event" means any of the following:

- (a) a subdivision, consolidation or reclassification of the relevant Fund Interests or a free distribution or dividend of any such Fund Interests to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Fund Interests of (1) an additional amount of such Fund Interests or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Fund equally or proportionately with such payments to holders of such Fund Interests or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the relevant Fund as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend as determined by the Calculation Agent;
- (d) a repurchase by a Fund of relevant Fund Interests whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise other than where such repurchase is a redemption of Fund Interests initiated by an investor in such Fund Interests and consistent with the relevant Fund Documents; or
- (e) any other event that may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Fund Interests.

### **2. Disrupted Day**

A "Disrupted Day" means either the Trade Date or a Valuation Date on which any of the following events occurs, as determined by the Calculation Agent, if the Calculation Agent determines any such event is material:

- (a) Fund Valuation Disruption: “Fund Valuation Disruption” means the failure of a Scheduled Fund Valuation Date in respect of a Fund Interest to be a Fund Valuation Date in respect of such Fund Interest; and
- (b) Fund Settlement Disruption: “Fund Settlement Disruption” means a failure by a Fund on any day to pay the full amount (whether expressed as a percentage or otherwise) of any fund redemption proceeds with respect to any Fund Interest scheduled to have been paid on or by such day according to the relevant Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Fund to delay or refuse redemption of Fund Interests).

### 3. Fund Extraordinary Event

If a Fund Extraordinary Event occurs in relation to a Fund Interest or the related Fund, Fund Administrator or Fund Adviser, the Issuer, in its sole and absolute discretion may require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or any of the other terms of these Terms and Conditions of the Notes to account for the relevant Fund Extraordinary Event (which may include, without limitation, delaying any determination until it determines that no Fund Extraordinary Event exists) and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, the substitution of the Fund Interest the subject of the relevant Fund Extraordinary Event by a Replacement Fund Interest selected by the Calculation Agent or, if an appropriate Replacement Fund Interest cannot be selected, by an index which covers substantially the same geographical area as the investments in which the Fund, to which the Fund Interest the subject of such an event relates, invests, and taking into account such Fund's investment objectives, selected by the Calculation Agent, and the Calculation Agent shall determine the adjustments, if any, to be made to these Terms and Conditions of the Notes to account for such substitution.

Upon the occurrence (if applicable) of a Fund Extraordinary Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 of the Conditions stating the occurrence of the relevant Fund Extraordinary Event(s), giving details thereof and the action proposed to be taken in relation thereto.

For the purposes hereof:

“Fund Extraordinary Event” means the occurrence of each of the following events, as determined by the Calculation Agent:

- (a) Insolvency: “Insolvency” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Fund, (x) all the Fund Interests of that Fund are required to be transferred to a trustee, liquidator or other similar official or (y) holders of the Fund Interests of that Fund become legally prohibited from transferring or redeeming them;
- (b) Fund Insolvency Event: “Fund Insolvency Event” means a Fund or any other entity related to the Fund (A) is dissolved or has a resolution passed for its dissolution, winding-up or official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C) (x) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (y) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any

other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (x) above and either (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (E) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter; or (F) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (E) and (F) above;

- (c) Fund Modification: "Fund Modification" means any change or modification of the relevant Fund Documents that could reasonably be expected to affect the value of a Fund Interest or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent) from those prevailing on the Trade Date or, in respect of a Replacement Fund Interest, the relevant replacement date; or the imposition of any fees or charges in relation to redemptions, subscriptions or transfers of Fund Interests;
- (d) Strategy Breach: "Strategy Breach" means any breach or violation of any strategy or investment guidelines stated in the relevant Fund Documents that is reasonably likely to affect the value of a Fund Interest or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent); or any change of the nature of a Fund, including but not limited to the type of investments, the duration, the credit risk, the currency and diversification of the investments to which that Fund is exposed, which, in the opinion of the Calculation Agent, results in a material deterioration of the risk profile of that Fund;
- (e) Regulatory Action: "Regulatory Action" means (x) the cancellation, suspension or revocation of the registration or approval of a Fund Interest or the related Fund by any governmental, legal or regulatory entity with authority over such Fund Interest or Fund, (y) any change in the legal, tax, accounting, or regulatory treatments of a Fund or its Fund Adviser that is reasonably likely to have an adverse impact on the value of the related Fund Interest or on any investor therein (as determined by the Calculation Agent), or (z) a Fund or any of its Fund Administrator or Fund Adviser becoming subject to investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Fund, Fund Administrator or Fund Adviser;
- (f) Reporting Disruption: "Reporting Disruption" means (x) occurrence of any event affecting a Fund Interest that, in the determination of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest in respect of a Scheduled Fund Valuation Date, and such event continues for at least two consecutive Scheduled Fund Valuation Dates be; (y) any failure of a Fund to deliver, or cause to be delivered, (A) information that such Fund has agreed to deliver, or cause to be delivered to the Calculation Agent, including, but not limited to, information to determine the occurrence of a Fund Extraordinary Event and the annual audited financial report and semi-annual financial report, if any, in relation to the related Fund Interests, or (B) information that has been previously delivered to the Calculation Agent, in accordance with such Fund's, or its authorised representative's, normal practice and that the Calculation

Agent deems necessary to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the related Fund Interests; or

- (g) Fund Administrator Disruption: "Fund Administrator Disruption" means any event or circumstances compromising the independence of a Fund Administrator performing services for a Fund from the relevant Fund Adviser.

#### **4. Additional Disruption Events**

If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Interest Amount and/or any of the other terms of these Terms and Conditions of the Notes to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (ii) give notice to the Noteholders in accordance with Condition 17 of the Conditions and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Calculation Amount being redeemed at the Early Redemption Amount.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 17 of the Conditions stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes hereof:

"Additional Disruption Event" means any of Change in Law and/or Hedging Disruption.

"Change in Law" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines that (X) it has become illegal to hold, acquire or dispose of the relevant Fund Interest or (Y) it will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

"Hedging Disruption" means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), including, without limitation, where such inability or impracticability has arisen by reason of (x) any restrictions or increase in charges or fees imposed by the Fund on an investor's ability to redeem the related Fund Interest, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Interest, or (y) any mandatory redemption, in whole or in part, of a Fund Interest imposed by the related Fund (in each case other than any restriction in existence on the Trade Date or, in respect of a Replacement Fund Interest, the relevant replacement date).

## **5. Definitions**

“Fund Administrator” means the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for the Fund according to the relevant Fund Documents.

“Fund Adviser” means any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser).

“Fund Documents” means the constitutive and governing documents, subscription agreements and other agreements of the Fund specifying the terms and conditions relating to the related Fund Interest, as amended from time to time.

“Fund Service Provider” means any person who is appointed to provide services, directly or indirectly, to the Fund, whether or not specified in the relevant Fund Documents, including without limitation any Fund Administrator, Fund Adviser, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent or domiciliary agent.

“Fund Valuation Date” means a date as of which the Fund (or its Fund Service Provider that generally determines such value) determines and publishes the value of the related Fund Interest.

“Scheduled Fund Valuation Date” means, in respect of a Fund Interest, a date as of which the related Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to the relevant Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Fund to delay or refuse redemption of Fund Interests), to determine and publish the value of the related Fund Interest.

“Trade Date” means the date specified under “Trade Date” at item 20(xviii) of the Terms and Conditions of the Notes above.

## OTHER INFORMATION

- 1. LISTING AND ADMISSION TO TRADING:** Application has been made to the Luxembourg Stock Exchange for the admission to trading on the Luxembourg Stock Exchange's regulated market and the listing on the Luxembourg Stock Exchange of the Notes by the Issuer pursuant to the Programme.

Notwithstanding the above, no assurance can be given that the Notes will be admitted to trading nor that an active secondary market will effectively develop in respect of the Notes even if admitted to trading on the above mentioned regulated market. In fact, neither the Issuer nor the Guarantor will provide bid/ask prices or appoint price/market makers.

The Lead Manager will apply for the Notes to be admitted to trading on the systematic internaliser (*Internalizzatore Sistemico*) named De@l Done Trading (DDT) in respect of which MPS Capital Services Banca per le Imprese S.p.A. plays the role of *negoziatore unico*, pursuant to the Italian applicable laws and regulations. In relation to the Notes MPS Capital Services Banca per le Imprese S.p.A. shall enter into a liquidity agreement with the Distributors. Under this agreement it shall be bound to make bid/ask prices which, referring to the Issuer's creditworthiness, will be determined as follows:

- a) until the total notional amount repurchased by MPSCS is less than or equal to the 5 per cent. of the nominal amount of Notes effectively placed, the price shall reflect the Issuer's funding level for the Notes themselves, equal to 3 months EURIBOR plus the funding spread equal to 1.68 per cent.; and
- b) after that threshold has been reached, for the total remaining part of 95 per cent. of the nominal amount effectively placed the price shall reflect the prevailing market conditions as of the relevant purchase/selling date. In that case the 3 months EURIBOR will be increased by a different spread expressed by the asset swap spread, increased of a 0,15 per cent., of some specific Issuer's benchmark debt securities.

To the price so determined, will be added, in case of purchase by the investor, a margin up to a maximum of 0.35 per cent. of the amount that will be

purchased, or will be taken away, in case of sale by the investor, a margin up to a maximum of 1.50 per cent. of the amount to be sold.

MPS Capital Services Banca per le Imprese S.p.A will be solely responsible for the activities carried out as “*internalizzatore sistematico*” and “*negoziatore unico*” and for the bid/ask prices offered on DDT.

Within 5 Business Days following, MPS Capital Services Banca per le Imprese S.p.A. shall publish on its website [www.mpscapitalservices.it](http://www.mpscapitalservices.it) a notice informing the investors about the raising of 70 per cent. of the threshold sub (a) above.

Furthermore, within 5 Business Days following, MPS Capital Services Banca per le Imprese S.p.A. shall publish on its website [www.mpscapitalservices.it](http://www.mpscapitalservices.it) a notice informing the investors about the raising of 100 per cent. of the threshold sub (a) above.

## 2. RATINGS:

The Notes to be issued have not been rated. The rating of the Guarantor is:

Moody's: Aa3 (Negative Outlook)

S & P: A (Stable Outlook)

Fitch: A (Stable Outlook)

(source: [www.standardandpoors.com](http://www.standardandpoors.com); [www.moodys.com](http://www.moodys.com) and [www.fitchratings.com](http://www.fitchratings.com))

S & P: A: An Obligor rated ‘A’ has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

Moody's: Aa3: Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

Fitch: A: High Credit Quality: “A” ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

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

Save for the information indicated below, and in particular, the interests of natural and legal persons



involved in the issue, as described in this Item 3, so far as the Issuer is aware, there are no conflict of interests with respect to the offer of the Notes.

The Lead Manager and the Distributors are, with respect to the placement of the Notes, in a position of conflict of interest with the investors as they are part of the same banking group (the Montepaschi Banking Group) and also because of their interests related to the distribution of the Notes.

The Lead Manager also acts as arranger and counterparty of the hedging agreement entered into by KBC Bank NV, as Guarantor, in relation to the Notes. The Lead Manager will receive a Management Fee equal to 0.80 per cent. of the Aggregate Principal Amount of the Notes and, the Distributors will effectively receive a Placement Fee equal to 3.20 per cent. of the Aggregate Principal Amount of the Notes, all of which are embedded in the Issue Price of the Notes (and will therefore be borne by investors).

It should be noted that De@lDone Trading is a systematic internaliser managed and organised by MPS Capital Services Banca per le Imprese S.p.A.. It should also be noted that MPS Capital Services Banca per le Imprese S.p.A. acts as exclusive dealer (*negoziatore unico*) on the market maker on De@lDone Trading.

It should also be noted that Banca Monte dei Paschi di Siena S.p.A., holding company of the same banking group of the Lead Manager and the Distributors (the Montepaschi Banking Group) indirectly retains an equity interest in the share capital in PRIMA SGR S.p.A., which manages the Fund.

The Guarantor is acting also as Calculation Agent for the Notes. The Calculation Agent is entitled to carry out a series of determinations which affect the Notes. Such determinations could have an adverse effect on the value of the Notes and on the amounts payable to investors under the Terms and Conditions of the Notes, whether in the case of an Early Redemption Event or at Maturity, giving rise to a potential conflict of interest in respect of the interests of the Noteholders.

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

Reasons for the offer:	The net proceeds will be applied by the Issuer to assist the financing of the activities of the Guarantor or its affiliates to the extent permitted by applicable law.
Estimated net proceeds:	€103,000,000. For the avoidance of doubt the estimated net proceeds reflect the proceeds to be received by the Issuer on the Issue Date.
Estimated total expenses:	€3,065

#### **5. YIELD: (Fixed Rate Notes only)**

Indication of yield:	Not Applicable
----------------------	----------------

#### **6. PERFORMANCE OF THE UNDERLYING FUND INTEREST, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING FUND INTEREST**

##### **Information concerning the Fund**

**The following information on the Fund is solely intended for the description of the Notes and for the use of investors in the Notes and does not constitute an offer of shares in the Fund.**

**The below presents an overview of the features of the Fund, although the past performance of the**

**Fund does not necessarily constitute an indication of the potential future performance of the same. Further information about the Fund (and in particular performance, costs and volatility) can be found at [www.primasgr.com](http://www.primasgr.com).**

PRIMAstrategia Europa Alto Potenziale (Codice Bloomberg DUGEAPY IM Equity; ISIN IT0004301518) is a class of shares denominated in EUR of the fund “PRIMAstrategia Europa Alto Potenziale Fund” (the “Fund”) which is managed by Prima SGR.

### **Nature of the Fund**

The objective of the Fund is to provide a high long term growth of the capital invested.

### **Primary investment focus**

The Fund invests primarily in financial instruments of any nature denominated in European countries’ currencies; especially equities issued by European companies in Europe and/or European issuers listed in other markets.

### **Other investment options**

The Fund may have residual investments in emerging countries. The Fund is exposed to currency risk.

Derivatives transactions:

The use of derivatives is finalised to:

- the hedging and efficient portfolio management;
- the investment up to 100% of the net total value, with potential residual investment in derivatives on commodity indices.

The use of derivatives is consistent with the risk/return profile of the fund; in fact, in relation to the purpose of investment, the Fund uses a leverage of between -1 and +2.

Main types of financial instruments and currency denomination: major investment in equity securities, denominated in the European countries’ currencies.

Issuers’ categories: Listed companies with high growth potential, also with limited liquidity and without any limitations in terms of industrial sector.

The details of past and future performance and volatility of the fund interest can be obtained Bloomberg page: DUGEAPY IM Equity.

In addition, please see below a description of the potential scenarios for the investor.

### **Description of the potential scenarios for the investor**

#### **I - Negative scenario for the investor**

Net Asset Value on the Trade Date (NAV <sub>0</sub> )	Arithmetic Average of Net Asset Value observed on the Valuation Dates (NAV <sub>M</sub> )	Fund Interest return $\frac{(NAV_M - NAV_0)}{NAV_0}$
2.285	2.057	-10%

Pay-off profile:

<b>Payment date</b>	<b>Fixed Rate</b>	<b>Fund Linked Rate</b>	<b>Gross flows</b>	<b>Net flows</b>
30/12/2011	3.65%		3.65%	3.19%
30/12/2015		0.00%	100.00%	100.00%
<i>Gross annual return</i>		0.74%		
<i>Net annual return</i>		0.65%		

Note: For the calculation of net flows and net returns, it has been suggested the application of the substitute tax to the extent of 12.5% on the date of this Prospectus.

## II - Intermediate scenario for the investor

<b>Net Asset Value on the Trade Date (NAV<sub>0</sub>)</b>	<b>Arithmetic Average of Net Asset Value observed on the Valuation Dates (NAV<sub>M</sub>)</b>	<b>Fund Interest return <math>\frac{(NAV_M - NAV_0)}{NAV_0}</math></b>
2.285	2.605	+14%

Pay-off profile:

<b>Payment date</b>	<b>Fixed Rate</b>	<b>Fund Linked Rate</b>	<b>Gross flows</b>	<b>Net flows</b>
30/12/2011	3.65%		3.65%	3.19%
30/12/2015		10.50%	110.50%	109.19%
<i>Gross annual return</i>		2.76%		
<i>Net annual return</i>		2.42%		

Note: For the calculation of net yields, it has been suggested the application of the substitute tax to the extent of 12.5% on the date of this Prospectus.

## III - Positive scenario for the investor

<b>Net Asset Value on the Trade Date (NAV<sub>0</sub>)</b>	<b>Arithmetic Average of Net Asset Value observed on the Valuation Dates (NAV<sub>M</sub>)</b>	<b>Fund Interest return <math>\frac{(NAV_M - NAV_0)}{NAV_0}</math></b>
2.285	3.199	+40%

Pay-off profile:

<b>Payment date</b>	<b>Fixed Rate</b>	<b>Fund Linked Rate</b>	<b>Gross flows</b>	<b>Net flows</b>
30/12/2011	3.65%		3.65%	3.19%
30/12/2015		30.00%	130.00%	126.25%

<i>Gross annual return</i>	6.13%
<i>Net annual return</i>	5.42%

Note: For the calculation of net yields, it has been suggested the application of the substitute tax to the extent of 12.5% on the date of this Prospectus.

#### COMPARISON WITH NON STRUCTURED SECURITIES OR RISK FREE OF SIMILAR LENGTH

As a mere example, a comparison is made between the actual annual gross and net return specified in the negative scenario described above and the actual annual gross and net return of a BTP with similar maturity.

	<b>Actual gross annual return</b>	<b>Actual net annual return</b>
Scenario 1 – Negative scenario for the Investor	0.74%	0.65%
Scenario 2 – Intermediate scenario for the Investor	2.76%	2.42%
Scenario 3 – Positive scenario for the Investor	6.13%	5.42%
BTP 3.75 01/08/2015 ISIN IT0003844534*	2.76%	2.30%

\*Data as of 27/10/2010 (source “Bloomberg)

#### 7. TERMS AND CONDITIONS OF THE OFFER:

Offer Price:

Issue Price Break-down of the Issue Price:

- a) Value of the bond component: The bond component of each Note is represented by a bond that, on redemption, pays out 100per cent. and pays out a fixed coupon equal to 3.65 per cent. (gross) at the Fixed Rate Interest Payment Date. The value of the bond component, at the date of 27<sup>th</sup> October 2010, is equal to 85.50 per cent. of the Aggregate Nominal Amount.
- b) Value of the derivative component: The derivative component of the Notes is represented by an Asian call option on the Fund. Its value, at the date of 27<sup>th</sup> October 2010, is equal to 10.50 per cent. of the Aggregate Nominal Amount.

In connection with the offer, the Guarantor shall pay to MPS Capital Services Banca per le Imprese S.p.A., acting as Lead Manager of the Notes in Italy, a Management Fee and to the Distributors, through the Lead Manager, a Placement Fee, both to be calculated in respect of the Aggregate Nominal Amount effectively placed by the Distributors as a percentage of the Issue Price and paid by the Guarantor.

On the basis of (i) the value of the bond component; (ii) the value of the derivative component; (iii) the

Management Fee; and (iv) the Placement Fee, the Issue Price for the Notes may be determined as follows:

Value of the bond component: 85.50 per cent.

Value of the derivative component: 10.50 per cent.

Management Fee: 0.80 per cent.

Placement Fee: 3.20 per cent.

Issue Price: 100 per cent.

The above values are calculated at 27<sup>th</sup> October 2010.

Conditions to which the offer is subject:

The offering may, be cancelled at any time prior to the Issue Date. For the avoidance of doubt, if any application has been made by a potential investor and the Issuer exercises such a right, each such potential investor shall not be entitled to subscribe or otherwise purchase any Notes.

The Issuer shall give timely and properly notice of such a cancellation by means of a notice published on the Guarantor's website, the Lead Manager's Website and Distributors' websites as specified in item 46 of the Terms and Conditions of the Notes above.

Description of the application process:

The subscription period for the Notes is from (and including) 5<sup>th</sup> November 2010 to (and including) 23<sup>rd</sup> December 2010 during the Distributors' banking opening hours. The Notes placed through door-to-door selling pursuant to Article 30 of the Italian Financial Services Act, will be offered from (and including) 5<sup>th</sup> November 2010 to (and including) 16<sup>th</sup> December 2010. Pursuant to article 30, paragraph 6, of the Italian Financial Services Act, the validity and enforceability of the contracts entered into through door-to-door selling is suspended for a period of seven days after the investors' signature of the same. Within such period investors may communicate their withdrawal to the relevant Distributor without any charge or commission. Each Distributor shall provide the relevant information in this respect to the investor in accordance with the applicable law and regulations.

The Issuer reserves the right to close the subscription period earlier. Notice of the early closure of the Offer Period will be made to investors by means of a notice published on the Guarantor's Website, the Lead Manager's Website and on the Distributors' websites mentioned above.

Investors may subscribe for the Notes through the

	Distributors (as defined above) during the Offer Period in accordance with the arrangements existing between the Distributors and their customers relating to the subscription of financial products such as the Notes. Investors may not be allocated all of the Notes for which they apply.
	To participate in the offering of the Notes, each prospective investor should contact the relevant Distributor through its usual contacts. Investors will not be required to enter into any contractual arrangements directly with the Issuer in order to subscribe or purchase the Notes.
Details of the minimum and/or maximum amount of application:	The minimum amount of application is €1,000. The maximum amount of application is €103,000,000. The aggregate principal amount of Notes to be issued will be a maximum of €103,000,000.
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	There is no possibility to reduce the subscriptions and therefore, there will be no refunding excess amounts paid by the applicants.
Details of the method and time limits for paying up and delivering the Notes:	The Notes will be issued on 30th December, 2010 against payment to the Issuer by the Distributors, via the Lead Manager of the net subscription moneys. The Lead Manager will make the results of the Offer available to the public on its web site <a href="http://www.mpscapitalservices.it">www.mpscapitalservices.it</a> , on the website of the Guarantor ( <a href="http://www.kbc.be">www.kbc.be</a> ) and by means of a notice published by the Guarantor on the web-site of the Luxembourg Stock Exchange ( <a href="http://www.bourse.lu">www.bourse.lu</a> ) on or around 30 <sup>th</sup> December 2010.
Manner in and date on which results of the offer are to be made public:	
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	There are no pre-emption rights and therefore there is no procedure applicable for the exercise of any right of pre-emption, negotiability of subscription rights or the treatment of subscription rights not exercised.
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	Offers may be made to general public in the Public Offer Jurisdiction.  In other EEA countries, offers will only be made by the Lead Manager, through the Distributors, pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Directive as implemented in the relevant countries.
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	Investors will be notified by the Distributors of their allocations of Notes and the settlement arrangements in respect thereof as soon as practicable after the end of the Offer Period. Dealings may not begin before notification is made.
Name(s) and addresses, to the extent known to the Issuer, of the placers in the various	See the relevant details of the Distributors in item 14 of Part A above.

countries where the offer takes place:

**8. OPERATIONAL INFORMATION:**

- i. ISIN Code: XS0555526903
- ii. Common Code: 55552690
- iii. Delivery: Delivery against payment
- iv. Intended to be held in a manner which would allow Eurosystem eligibility: No

## TAXATION

### THE NETHERLANDS

The disclosure below has been extracted from the Base Prospectus.

#### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (e) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (f) investment institutions (*fiscale beleggingsinstellingen*); and
- (g) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Where this summary refers to a holder of Notes, such reference is restricted to a holder holding legal title to, as well as an economic interest in, such Notes.

#### Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

#### Corporate and Individual Income Tax

- (a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the



Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25.5%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*) to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1st January and 31st December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a rate of 30%.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5%.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*) or (3) is entitled to a share in the profits of

an enterprise which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under **Residents of the Netherlands**). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

### **Gift and Inheritance Tax**

#### **(a) Residents of the Netherlands**

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a donation within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a donation within a 12 months period after leaving the Netherlands. The same 12 month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

#### **(b) Non-residents of the Netherlands**

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless, in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands.

### **Value Added Tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

### **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

### **BELGIUM**

The disclosure below has been extracted from the Base Prospectus.

The following summary describes the principal Belgian tax consequences of the acquisition, holding, redemption and disposal of Notes, which term, for the purpose of this summary, includes Coupons, Receipts and Talons. This summary does not purport to be a comprehensive description of all Belgian tax

considerations that may be relevant to a decision to acquire, to hold, and to dispose of the Notes. Each prospective Noteholder should consult a professional adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on the Belgian tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Base Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

### **Income Tax and Withholding Tax on the interest of the Notes**

For Belgian income tax purposes, the Notes are to be qualified as **fixed-income securities** as defined in article 2, par. 1, 8° of the Income Tax Code (ITC). Not only interest coupons but any sum paid by the Issuer in surplus of the Issue Price, whether or not prior to the stated maturity of the Notes, is interest for Belgian tax purposes.

Under present Belgian tax law, no Belgian withholding tax is due on the payment of principal or interest in respect of the Notes, Receipts or Coupons by the Issuer or by any non-Belgian paying agent. If, however, the Noteholder, Receiptholder or Couponholder is a Belgian individual subject to Belgian personal income tax and acquires and holds the Notes, Receipts or Coupons as a private investment, the interest must be declared in his Belgian tax return and will generally be taxed at a rate currently fixed at 15% (to be increased with local taxes). If the Noteholder, Receiptholder or Couponholder is a Belgian individual subject to Belgian personal income tax and acquires the Notes, Receipts or Coupons for professional purposes, the interest must be declared by the beneficiary and will be taxed at the Belgian personal income tax rates. If the Noteholder, Receiptholder or Couponholder is a Belgian company subject to Belgian corporate income tax or a Belgian branch of a foreign company subject to Belgian income tax on non-residents, the interest will, in general, be taxed at the normal rates of Belgian corporate income tax (currently 33.99%) or of the Belgian income tax on non-residents (currently also 33.99%). If a Noteholder, Receiptholder or Couponholder is a Belgian legal entity subject to the Belgian income tax on legal entities (“rechtspersonenbelasting”/“impôt des personnes morales”) the payment of interest in respect of Notes, Receipts and Coupons is generally subject to Belgian withholding tax at a rate currently fixed at 15% which must be withheld and paid by the receiving legal entity itself.

The payment of interest in respect of Notes, Receipts and Coupons by the Issuer through a Belgian paying agent is in principle subject to Belgian withholding tax (at a rate currently fixed at 15%), unless the Belgian paying agent is a credit institution, brokerage firm or clearing and settlement institution who pays the interest to a foreign professional intermediary within the meaning of article 261, par. 4 ITC.

Based on Belgian legislation, an exemption of withholding tax can be applied if inter alia:

- (a) the Notes are held (as owner or usufructuary) by Noteholders who do not have their fiscal residence in Belgium and who do not use the Notes for carrying on a business in Belgium, and provided the Belgian paying agent is a credit institution, brokerage firm or clearing or settlement institution,
- (b) the Notes, other than Redemption Notes and Zero Coupon Notes, are held by a Belgian company subject to Belgian corporate income tax,
- (c) the Notes, other than Redemption Notes and Zero Coupon Notes, are held by non-residents who use the Notes for carrying on a business in Belgium through a permanent establishment.

In each case, the exemption of withholding tax is subject to the signing of a withholding tax certificate.

The payment of interest in respect of Notes, Receipts and Coupons by the Guarantor in its capacity of principal debtor under the Guarantee, is in principle subject to Belgian withholding tax (at a rate currently fixed at 15%).

In the case of payments made by the Guarantor other than in its capacity of principal debtor under the Programme Agreement, the Agency Agreement or the Guarantee, it can reasonably be argued, based on an administrative commentary of the Belgian Tax Administration, referring to a decision of the Belgian Supreme Court, albeit in another context, that subject to certain formalities neither the Guarantor nor a Noteholder, Receiptholder or Couponholder who is not a resident of the Kingdom of Belgium and who does not hold Notes, Receipts or Coupons for the purposes of a professional activity in the Kingdom of Belgium (eg through a permanent establishment located in the Kingdom of Belgium) will be liable for any taxes including withholding taxes or other government charges due under the laws of the Kingdom of Belgium or any authority of, or in, the Kingdom of Belgium in respect of payment made under the aforementioned agreements or the Guarantee.

### **Income Tax on capital gains**

Noteholders who do not have their fiscal residence in Belgium and who do not have a Belgian fixed base or permanent establishment to which the Notes are attributable, will not be liable for any Belgian income tax on capital gains realized on a sale of the Notes on the secondary market, except for the prorated interest amount which may be taxed as interest.

Noteholders who are private individuals holding the Notes as a private investment and who have their fiscal residence in Belgium, and Noteholders who are subject to the Belgian income tax on legal entities, will not be liable for any income tax on capital gains realized on a sale of the Notes on the secondary market, except for the prorated interest amount which may be taxed as interest. If however a private individual's capital gains arise from transactions going beyond the daily course of management of private property, the private individual will be subject to income tax at a rate of 33% (plus local taxes).

Other Noteholders who have their fiscal residence in Belgium or who use the Notes for carrying on a business in Belgium through a fixed base or permanent establishment will be taxable on capital gains realised at the occasion of the transfer of the Notes.

### **Transfer Tax and Stamp Duties**

In general, Belgian tax on stock exchange transactions ("*taks op de beursverrichtingen/taxe sur les opérations de bourse*") will be applicable on any secondary market transaction with respect to any Notes, if such transaction is either concluded or carried out in the Kingdom of Belgium, and if such transaction was made with the intervention of a professional intermediary. A separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary. The applicable rate will be 0.07%. Such tax will, however, be limited to a maximum amount of EUR 500 per taxable transaction and per party. The stamp duty will not be payable by exempt persons acting for their own account as defined in article 126/1, 2° of the Code of various duties and taxes ("*Wetboek diverse rechten en taksen/Code des droits et taxes divers*"), including investors who are not Belgian residents (provided they confirm their non-resident status), and some professional intermediaries, insurance companies, collective investment institutions or pension funds.

Furthermore, a Belgian stamp duty on the physical delivery of bearer securities ("*taks op de aflevering van effecten aan toonder/taxe sur les livraisons des titres au porteur*") will be applicable at the rate of 0.60%, if physical delivery of the Notes takes place as a result of a secondary market transaction made with the intervention of a Belgian professional intermediary, or in case of withdrawal of the Notes from a custody deposit with a Belgian credit institution, brokerage firm, property management company or the CIK ("*Interprofessionele Effectendeposito – en Girokas/Caisse Interprofessionnelle de Dépôts et de Virements de Titres*"). However, no tax is due in each of the following cases:

- (a) physical delivery of the Notes to a professional intermediary (within the meaning of article 2, 9° and 10° of the Law of 2 August 2002) established in Belgium, and

- (b) physical delivery of the Notes to a non-resident if this delivery takes place as a result of the withdrawal of the Notes from a custody deposit.

### **Gift, estate or inheritance tax**

Except for the gift tax payable in the case of a gift by deed made in Belgium, no gift, estate or inheritance tax is due in Belgium in respect of Notes, Receipts or Coupons, unless a Noteholder, Receiptholder or Couponholder is resident in Belgium at the time of his death.

## **ITALY**

The following is a summary of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Pricing Supplement and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in bonds or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

### **Tax treatment of the Notes**

Legislative Decree No. 239 of 1 April 1996, as a subsequently amended, (the “Decree No. 239”) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, inter alia, by non-Italian resident issuers.

For these purposes, debentures similar to bonds are defined as bonds that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for internal payments) and that do not give any right to directly or indirectly participate in the management of the relevant issuer or of the business in relation to which they are issued nor any type of control on the management.

#### *Italian resident investors*

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime – see “Capital Gains Tax” below), (ii) a non-commercial partnership pursuant to Article 5 of the Italian Income Consolidated Code (TUIR) (with the exception of general partnership, limited partnership and similar entities), (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 12.50 per cent. In the event that the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is not included in the above (i) to (iv) and is a company or similar commercial entity pursuant to article 73 of TUIR or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate

taxation (“*IRES*”, levied at the rate of 27.5%) and, in certain circumstances, depending on the status of the Noteholder, also to regional tax on productive activities (“*IRAP*”, generally levied at the rate of 3.9 per cent, even though regional surcharges may apply).

If an investor is resident in Italy and is an open-ended or closed-ended investment fund (to which the tax regime according to No. 77 of 23 March 1983 applies, the “Fund”) or a SICAV, and the Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or SICAV accrued at the end of each tax period, subject to an ad-hoc substitute tax applicable at a 12.50 per cent. rate.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* (“SIMs”), fiduciary companies, *Società di gestione del risparmio* (SGRs), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an “Intermediary”).

For the Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder. If interest and other proceeds on the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above under (i) to (iv) will be required to include interest and other proceeds in their yearly income tax return and subject them to a final substitute tax at a rate of 12.5 per cent..

#### *Early Redemption*

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, the above 20 per cent. Additional amount may be due also in the event of purchase of Notes by the issuer with subsequent cancellation thereof prior to 18 months from the date of issue.

#### *Atypical securities*

Notes that (a) do not qualify as bonds (“*obbligazioni*”) or debentures similar to bonds (“*titoli similari alle obbligazioni*”) pursuant to Art. 44 of the TUIR, but (b) qualify as *titoli atipici* (atypical securities) for Italian tax purposes, may be subject to a withholding tax, levied at the rate of 27 per cent in respect of interest and other proceeds, pursuant to Law Decree as of 30 September, 1980, n. 512 (converted with law 25 November, 1983, n. 649) as amended.

The 27 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and it is levied as a provisional withholding tax in respect of an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

#### *Non-Italian Resident Noteholders*

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, if the Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

#### *Payments made by a non resident Guarantor*

With respect to payments made to Italian resident Noteholders by a non-Italian resident Guarantor, in accordance with one interpretation of Italian tax law, any such payment made by the Italian non resident Guarantor could be treated, in certain circumstances, as a payment made by the relevant Issuer and would thus be subject to the tax regime described in the previous paragraphs of this section.

### **Capital Gains Tax**

Any gain obtained from the sale, early redemption or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the status of the Noteholder, also as part of the net value of production for *IRAP* purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are effectively connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not holding the Notes in connection with an entrepreneurial activity, any capital gain realised by such Noteholder from the sale, early redemption or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.50 per cent. Under some conditions and limitations, Noteholders may set off losses with gains. This rule applies also to certain other entities holding the Notes.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

- (a) Under the “tax declaration” regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any off settable capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales, early redemption or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, early redemption or redemption of the Notes (the “*risparmio amministrato*” regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as a subsequently amended, the “Decree No. 461”). Such separate taxation of

capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, early redemption or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale, early redemption or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same Notes management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

- (c) Any capital gains realised or accrued by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have validly opted for the so-called “*risparmio gestito*” regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.50 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is a Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.50 per cent. substitute tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

#### *Non-Italian Resident Noteholders*

Capital gains realised by non-Italian resident Noteholders from the sale, early redemption or redemption of the Notes are not subject to Italian taxation, provided that the Notes (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside Italy.

The provisions of the applicable tax treaties against double taxation entered into by Italy apply if more favourable and all relevant conditions are met.

#### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, (Decree No. 262), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000;
- (ii) transfers in favour of relatives to the fourth degree and relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent.



inheritance and gift tax on the value of the inheritance or the gift exceeding EUR 100,000;  
and

- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

### **Transfer Tax**

Article 37 of Law Decree No 248 of 31 December 2007 (“Decree No. 248”), converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December, 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of EUR 168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC (“EU Savings Directive”) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to impose a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

### **Implementation in Italy of the EU Savings Directive**

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“Decree No. 84”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## GENERAL INFORMATION

### 1. Significant or Material Change:

There has been:

(a) no significant change in the financial or trading position of the Issuer or the Guarantor or the Guarantor and its subsidiaries as a whole since 30th June, 2010; and

(b) no material adverse change in the financial position, business or prospects of the Issuer, the Guarantor or the Guarantor and its subsidiaries as a whole since 31st December, 2009.

### 2. Litigation:

The Issuer is not involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of the Issuer.

The following concerns material litigation to which KBC Bank NV (as used in this section, “KBC Bank”) or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Bank NV or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the company’s reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for the corporation, members of the board or management. Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, management does not believe that the liabilities arising from these claims will adversely affect KBC Bank’s consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

#### *Judicial inquiries and criminal proceedings*

An inquiry was instituted in mid-1996 by the Belgian judicial authorities relating to the alleged co-operation by (former) directors, managers or members of staff of KBC Bank NV and Kredietbank SA Luxembourgeoise (“KBL”) in tax evasion committed by customers of KBC Bank and KBL. The investigation was based on confidential information believed to have been stolen by former KBL employees who had been dismissed in 1994 for embezzlement.

This inquiry ended in October 2000 and resulted in eight (former) directors, managers and members of staff of KBC Bank and twenty-seven (former) directors, managers and members of staff of KBL being placed under suspicion.

On January 11, 2008, the Chambers section of the Brussels Court of First Instance (the *Raadkamer*) has decided to refer finally just 11 people previously placed under suspicion in this case to the criminal court for trial. All the other persons placed under suspicion have had charges dismissed against them because the charges were insufficient or the period of prescription has expired. On September 24, 2008 the court of Appeal confirmed the judgment rendered on January 11, 2008 with regard to the (former) directors, managers or members of staff of KBC Bank and KBL. On April 3, 2009 the case was brought before the Brussels Court of First Instance (the *correctionele rechtbank*).

In its judgment of December 8, 2009 the Brussels Court ruled that the criminal proceedings were inadmissible. The Court judged that, given the extraordinary and doubtful circumstances in which the documents submitted by the public prosecutor came into the hands of the judicial authorities, they could not be used as evidence in legal proceedings. On December 10, 2009 the prosecutor appealed the decision. The

first hearing before the Court of Appeal was scheduled on March 26, 2010 and several hearings are scheduled in the second half of the year..

From late 1995 until early 1997, KBC Bank and KB Consult NV ("KB Consult") were involved in the sale of "cash companies" to various purchasers. A "cash company" is characterised by the fact that substantial majority of the assets consist of accounts receivable, fixed financial assets, cash and other highly liquid assets. KB Consult acted as an intermediary between the seller and the purchaser of the cash companies. The involvement of KBC Bank differed from sale to sale, but generally related to the handling of payments and the granting of loans. The transfer of a cash company is in principle a legal transaction. However, in March 1997, KBC Bank and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KBC Bank and KB Consult immediately took the necessary measures to prevent any further involvement with these parties. The activities of KB Consult were subsequently wound up. KBC Bank and KB Consult were summoned separately or jointly to court in 28 legal actions. This resulted in 20 lawsuits of which 18 are still pending before the courts. In one lawsuit the court ruled that KB Consult was summoned as third party without cause and therefore the claim was dismissed. In another lawsuit the claim of the Belgian State was dismissed and the judgment is definite. Subsequently the provision for these cases was offset in the accounts. KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 47.3 million (*status March 31, 2010*) has been constituted to cover the potential impact of any liability with respect to these actions.

Not only KB Consult but also KBC Bank and KBC Group were summoned before the Chambers section of the Court of First Instance in Bruges on February 25, 2009. The charges against the aforesaid KBC entities regard only use of false documents. Ninety other parties, mostly sellers of "cash companies" are indicted of various crimes with regard to tax fraud. The trial is postponed indefinitely.

KBC Group, two managers and one account manager of KBC Bank were summoned before the Chambers section of the Court of First Instance in Brussels on January 8, 2010. The charges brought by a civil party against KBC Group are money laundering, and with respect to the three involved persons of KBC Bank money laundering and infringement of the company act. The origin is the transfer of a cash company in May 1997 in the Group Sara Lee with regard to the company commercially known as Douwe Egberts for approximately EUR 125 mio. The buyers turned out to have acted fraudulently. Eighteen other parties, consisting of buyers and sellers of the "cash company", companies as well as directors, members of staff and advisors, the LGT Bank Liechtenstein Ltd. are indicted of various crimes : forgery, falsification of the accountancy, fraudulent bankruptcy, infringements of the company act, money laundering, tax infringements and criminal organisation. However the Prosecutor states himself that the prosecution is time barred on June 20, 2007 with regard to KBC Group and the three involved persons of KBC Bank since the disclosure made by KBC Bank on June 20, 1997 about the unusual features of the transactions to the authorities. The final hearing was scheduled on October 1, 2010. A judgement is expected on October 29th , at the earliest.

In 2003, an important case of fraud perpetrated by an employee, Atilla Kulcsár, involving about €140.6 million came to light at K&H Equities in Hungary. Orders and portfolio statements of the clients were forged. Many clients suffered substantial losses in their portfolio as a result of unauthorised speculation and the misappropriation of funds. On 28 August, 2008 a Budapest court sentenced Atilla Kulcsár to eight years imprisonment and a fine of 230 million forints. The court acquitted Tibor E. Rejto, former CEO of K&H Bank, who had also been charged with embezzlement as an accomplice to. Other people involved were sentenced to severe punishments. The Public Prosecutor and all the persons which had been found guilty, filed an appeal before the Court of Appeal. On 27 May 2010, the Court of Appeal has annulled the first instance court verdict and ordered a complete retrial. The new trial before the first instance court is scheduled to start on 1 December 2010 and should end around mid-February 2011.

Numerous civil claims are pending. Some of the civil claims have been settled either by agreement or by arbitration awards. In spite of the forgery most of the arbitration awards consider the portfolio statements to show the clients' true balances. In some awards, the Arbitration Court and the Metropolitan Court have also

accepted some evidence on the account histories of the claimants, which resulted in lower amounts being awarded than originally claimed by the clients.

Provisions have been set aside at K&H Equities. The most important case, DBI Kft. (Betonut), is still pending before the Municipal Court and decided to consider the claim as a claim for damages under the securities act and the client account contract. Written arguments are exchanged.

In June 2007, KBC Group was placed under suspicion by an investigating magistrate in Brussels in an alleged case of fraud and tax evasion by a customer, who is active in the real estate sector. This matter concerns the financing by KBC Bank of an equity transaction of a real estate company.

KBC is convinced that both it and its employees followed the Bank's internal procedures to combat money laundering and fraud and complied with legal and regulatory requirements in this case.

On February 12, 2010 the Prosecutor demanded the Chambers section of the Brussels Court of First Instance (the *Raadkamer*) not to prosecute KBC Bank before the Court of First Instance (the *correctionele rechtbank*). There is no scheduled hearing up to now

On 24 July, 2008, KBC Bank and an employee of a branch in Brussels were summoned together with Giamal Aldeib, a Lybian businessman, to appear before the Brussels Court of First Instance (the *correctionele rechtbank*) on 12 September, 2008. KBC Bank and its employee are charged for use of forged documents and money laundering. The Prosecutor is demanding the confiscation of approximately EUR 2.3 million and USD 1 million. The criminal file reveals that the main suspect has swindled several Belgian casinos out of huge credit amounts for gambling by issuing many cheques drawn on international banks. It is not very clear why KBC Bank and its employees are being pursued, unless for money transfers from other banks and cash transactions. In any event, neither KBC Bank nor its employees were aware of any illegal origin until the procedures to combat money laundering and fraud revealed suspicious transactions that led to a disclosure to the competent authorities. No international inquiries were ordered by the prosecutor as to check the origin of money transfers or the unpaid cheques. The case has been postponed several times on request of the Prosecutor.

KBC is convinced that both it and its employees have always followed the Bank's internal procedures to combat money laundering and fraud and complied with legal and regulatory requirements in this case.

On March 25, 2010 the court rendered a partial verdict: the bank's employee was acquitted for all charges, the bank is acquitted for the charge of use of forged documents and the court asks the prosecutor to carry out further investigations regarding Giamal Aldeib and his economic activities. The next hearing is scheduled on March 24, 2011.

### ***Other litigation***

On June 19, 2000 ČSOB concluded an "Agreement on Sale of Enterprise" with another Czech bank, IPB, which had been placed under forced administration on 16 June 2000. This agreement was approved by the Czech National Bank ("CNB"). In connection with the acquisition by ČSOB of the Enterprise of IPB ("IPB Enterprise"), the Czech Ministry of Finance (acting on behalf of the Czech Republic) entered into an agreement with and provided a state guarantee to ČSOB, and the CNB also entered into an indemnity agreement with ČSOB. The purpose of these two agreements is, *inter alia*, to ensure a zero net asset value and to protect ČSOB against (i) losses existing as of the date of the sale of the IPB Enterprise as revealed by extraordinary audits of the IPB Enterprise carried out after the closing of the acquisition of the IPB Enterprise by ČSOB and (ii) damages incurred by ČSOB as a result of the acquisition of the IPB Enterprise (state guarantees).

ČSOB is party (claimant/plaintiff or defendant) to a number of civil and criminal actions that were triggered by the acquisition of the IPB Enterprise. These actions relate to alleged off-balance sheet assets and legal actions of former IPB management, various attempts to contest the take-over of IPB Enterprise by ČSOB,

the rescue and restructuring of IPB Enterprise and the state aid provided in connection with the rescue and restructuring of the IPB Enterprise and, in this context, CSOB is subject to claims amounting to tens of billions of Czech Crowns. The most important cases are:

- On 13 June 2007 ČSOB has filed a Request for Arbitration against the Czech Republic for CZK 1.7 billion (approximately EUR 69.3 million) plus interest as a result of the failure of the Czech Republic to reimburse ČSOB in connection with the J. Ring-case. Article 2.5 of the Agreement and State Guarantee provides that, in the event ČSOB has to pay back to the CKA (a state owned financial institution facilitating the restructuring of the Czech economy by purchasing bad loans) the consideration for any item of the IPB enterprise returned by the CKA to ČSOB, the Czech Republic has to reimburse ČSOB for the full amount in order to ensure a zero net asset value. As the Czech Republic fails to pay the amount of the consideration in the J. Ring-case to ČSOB, although the J Ring items in question have been transferred by CKA to IPB on the basis of an arbitral award, ČSOB has had to start the aforementioned arbitration proceedings. In its answer in which it presented its defence in this arbitration proceeding, the Czech Republic asserted in July 2007 a counter-claim of CZK 26.7 billion (approximately EUR 1 billion). Having reviewed this claim and the underlying arguments together with its external counsel, ČSOB believes that this claim is without merit and expects the Arbitral Tribunal not to award any amounts to the Czech Republic on the basis of this counterclaim. An award is expected to be issued at the end of 2010.

- In February 2007, the Czech National Bank (CNB) requested that ČSOB set aside provisions against the 'realistic possibility' that ČSOB might lose several disputes in IPB-related claims. ČSOB responded that these issues are fully covered by the state guarantees and that creating provisions would be redundant and in contradiction of international accounting standards. By notice dated March 21, 2008 Czech National Bank (CNB) instructed CSOB to effectively remove the J Ring receivable (CZK 1,65 billion) against the CZ Ministry of Finance from its books. CSOB strongly disagreed with this decision of the CNB and had filed an appeal against this first instance decision on April 10, 2008. On appeal, the first instance decision was cancelled for formal reasons on June 26, 2008. As the J Ring case not only falls under the State Guarantee Agreement with the CZ Ministry of Finance but also under the CNB Guarantee Agreement, CSOB decided to register the claim on the CZ Ministry of Finance and/or the CNB. However, by notice dated November 18, 2008, the CNB instructed CSOB again to remove the said J RING receivable from its books. CSOB has launched an appeal against this decision. On April 30, 2009 the CNB Banking Board decided to fully confirm the earlier CNB decision. CSOB again filed a court action with the administrative court on July 13, 2009 against this decision. This proceeding is still pending.

- In May 2006, Image Alpha filed a claim in the amount of CZK 17,6 bn (EUR 717 mln) against CSOB with the Municipal Court in Prague. Image Alpha is a guarantor of IPBGH's obligation to repay the loans borrowed from IPB before the acquisition of IPB by CSOB and which were transferred after the acquisition to the CKA. Image Alpha claims that CSOB—as a sole shareholder of IPBGH at the time just after the acquisition—caused that IPBGH was not able to meet its obligations. CSOB is of the opinion that this claim is without merit

In March 2000, Rebeo (currently Almafin Real Estate Services and Trustimmo), two former subsidiaries of former Almafin, currently KBC Real Estate, a Belgian subsidiary of KBC Bank were summoned, and four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), together with, before civil court in Brussels by the Belgian State, Finance Department, for the non-payment of approximately €16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation is pending. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

The civil lawsuit pending in Brussels has been suspended pending a final judgment in the tax lawsuit in Antwerp.

A provision of EUR 25.6 million (*status March 31, 2010*) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was adjudged bankrupt by the court of 's-Hertogenbosch in the Netherlands. In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned Deloitte & Touche as the auditor of Broeckdal Vastgoedmaatschappij before the civil court in Brussels in order to indemnify the former against all judgments. In November 2008 Mubavi België (currently BeZetVe) was also adjudged bankrupt by the commercial court in Antwerp.

On a proposal by the Polish Organization of Commerce and Distribution ("POHiD") in Warsaw, the Office for Competition and Consumer Protection ("UOKiK") instituted legal proceedings against the Polish Banks Association, VISA and MasterCard and twenty Polish banks, including Kredyt Bank S.A., issuing payment cards in Poland. On 29 December 2006, the President of the UOKiK rendered a decision by which Kredyt Bank and other banks were accused of practices restricting competition and breaching the ban set forth in art. 81 (1) of the Treaty establishing the European Community and in art. 5 (1) point 1, of the Competition and Consumer Protection Act, by participating in an agreement to fix the amount of interchange fees collected for transactions made using VISA and MasterCard cards in Poland.

The banks have not been accused of practices restricting competition that consist in the co-ordination of actions to restrict entrepreneurs, which are not parties to such agreements, from accessing the market of services for the settlement of payments by consumers to commercial entities for purchases made using payment cards. Kredyt Bank S.A. was fined approximately PLZ 12.2 million. HSBC Bank Poland S.A. ("HSBC"), based on the actions of its subsidiary Prosper Bank SA, was fined PLZ 192,900, and the proceedings against it were dropped and will not be continued. Because Kredyt Bank sold the shares of Prosper Bank SA to HSBC and agreed to pay all fines imposed on HSBC for the obligations of Prosper Bank existing as of the date of the sale, Kredyt Bank will pay the fine imposed on HSBC.

With regard to the decision of the President of the UOKiK that these banks refrain from anti-competitive practices, an enforcement clause has been added to prevent the banks, from the time they receive the decision, from engaging in anticompetitive practices and requiring them to cease applying agreed interchange fees.

On January 12, 2007, a complaint was filed against the decision of the President of UOKiK to add the sanction clause of immediate enforceability. On 17 January 2007 and 19 January 2007, complaints were filed on behalf of HSBC Bank Polska and Kredyt Bank against the decision of the President of UOKiK, to consider participation in the agreement on fixing the amount of interchange fees by VISA, MasterCard and the banks as anticompetitive practice.

On January 18, 2007, the President of UOKiK rendered a decision by which the banks are jointly obliged to pay POHiD PLZ 157,643 as reimbursement for the cost of the proceedings. Kredyt Bank filed a complaint against the decision, considering it to be groundless.

On August 25, 2007 the Commercial Court suspended the performance of the UOKiK's decision re. interchange fees. On November 12, 2008 the Court of Competition Protection issued a judgement stating that banks were not applying practices restricting competition in this matter. On June 22, 2009 UOKiK appealed, the bank submitted the Court written arguments. The date of the hearing is still not scheduled yet.

In March 2008 KBC Group, KBC Bank, KBL and Kredietrust have been summoned to appear before the commercial court in Brussels by the British company Beverly Securities Limited. This company makes reference to business relations that KBC / KBL are said to have had with the Republic of South Africa almost 20 years ago, at the time of apartheid and the trade embargo recommended by the UN.

The company is seeking payment of a substantial commission linked to a business transaction totally foreign to KBC and KBL. In the past it has already tried to obtain payment of this commission from third parties through legal proceedings launched in South Africa and France, where on each occasion the case was dismissed. It is now attempting to obtain payment on the pretext of having opened an account with KBL more than 17 years ago.

Even if it is true that during this period the KBC / KBL group maintained business relations with South Africa, this in no way supports the allegations made in the summons. After a thorough examination carried out on the basis of the documents and archives still available, and having obtained two legal opinions from well-known legal practices, particularly in relation to the embargo, KBC and KBL are reassured of their position and of the fact that they respected all the laws applicable to them at the time.

KBC and KBL consider the complaint to be totally unjustified and they claimed damages from the plaintiff for a frivolous and vexatious action.

A judgment was rendered on March 26, 2010 whereby the court considered the actions inadmissible and granted damages for the defendants.

Beverly Securities Limited lodged appeal on July 2nd, 2010.

On June 9, 2009 the Antimonopoly Office has declared breach of the Act No. 136/2001 Coll. on Protection of Competition due to the existence of an unwritten agreement restricting competition, because three Slovak banks under which CSOB Bank SR had agreed on termination of the “exchange houses” including Akcenta CZ and so the breach of the Act occurred. The fine (3,19 mio EUR) is that high because of the following factors: turn-over of the ČSOB at the relevant market, duration of the agreement restricting competition, breach of the Article 81 of the EC Treaty (The Treaty establishing the European Community) and impact of the agreement on the relevant market.

On June 24, 2009 ČSOB SK filed an appeal against the decision of the Antimonopoly Office with the Board of the Antimonopoly Office of the Slovak Republic.

On December 17, 2009 ČSOB SK officially received the decision of the Board of the Antimonopoly Office, which confirms the previous decision (existing agreement restricting competition). CSOB SK is preparing a legal proceeding against this decision.

KBC Bank and subsidiaries like K&H Bank and CSOB SK received numerous complaints about cdo notes issued by KBC FP, that were sold to private banking and corporate clients and are downgraded; they claim a buy back of the notes at the original value.

As well for K&H Bank, CSOB SK and KBC Bank Belgium legal opinions from international reputed law offices to assess the legal risk were delivered and studied. It was decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court.

In Belgium numerous settlements were already closed in 2009 with clients in KBC Bank Private Banking and Retail, which represents 97,4 % of the private banking and retail clients involved. In October, 2010 only few files remain ongoing. As a result of complaints some Corporate Banking files were examined as well. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number settlements were reached.

In Hungary a marketing brochure was used which could be interpreted a guarantee on a secondary market and a misleading comparison with state bonds . In two third of the files a settlement has been reached. A limited number of clients started a lawsuit.

On April 1, 2009 the Hungarian Financial Supervisory Authority (PSZAF) passed a resolution whereby K&H Bank was ordered to pay a fine of HUF 10,000,000 (approximately 37,000 EUR) for breaching the stipulations of the Capital Markets Act.

K&H has filed an appeal against the HCA resolution before the Budapest Metropolitan Court. The first hearing was held on October 15, 2009 and a hearing was scheduled on April 24, 2010.

On December 10, 2009, the Hungarian Competition Authority (“HCA”) passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately 150,000 EUR) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H’s trade in

CDO bonds. K&H has in the mean time filed an appeal against the HCA resolution before the Budapest Metropolitan Court.

In CSOB SK a similar governance is put in place and negotiations are ongoing. Settlements were already reached but most of the files are in the stage of negotiations. There are no formal lawsuits.

In June 2009 the Executive Committee of the Belgian Regulator (CBFA) ordered the auditor to start investigations about the compliance with the prospectus regulation regarding the selling by **KBC Bank** of cdo linked instruments. The required information was collected and transferred to the auditor; several questions of the auditor were also answered.

The auditor closed his investigation and the factual findings with regard to the non submission of the term sheets of 13 cdo linked instruments were not challenged by the Bank. The auditor suggested an amicable agreement. The bank replied in principle willing to agree on a settlement. This resulted in a final amicable settlement confirmed by the Executive Committee of the CBFA on March 11, 2010 whereby KBC Bank agreed to pay a fine of EUR 250.000. This decision has also been published by the CBFA on March 15, 2010.

## **2. Post-issuance information:**

The Issuer does not intend to provide any post-issuance information in relation to the Fund Interests in respect of the Notes.



**THE ISSUER**

**KBC IFIMA N.V.**  
Watermanweg 92  
3067 GG Rotterdam  
The Netherlands

**THE GUARANTOR**

**KBC Bank NV**  
Havenlaan 2  
B-1080 Brussels  
Belgium

**LEAD MANAGER**

**MPS Capital Services Banca per le Imprese S.p.A.**  
Via L.Pancaldo 4  
Firenze  
Italy

**ISSUING AND PAYING AGENT**

**KBL European Private Bankers S.A.**  
43, Boulevard Royal  
L-2955 Luxembourg

**PAYING AGENT**

**Brown, Shipley & Co. Limited**  
Founders Court  
Lothbury  
London EC2R 7HE  
England

**LEGAL ADVISER**

To the Issuer and to the Guarantor as to English law

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
England

**LUXEMBOURG LISTING AGENT**

**KBL European Private Bankers S.A.**  
43, Boulevard Royal  
L-2955 Luxembourg