INFORMATION MEMORANDUM

KommuneKredit

(An association established pursuant to Act No. 35 of 19th March, 1898 of the Kingdom of Denmark)

U.S.$5,000,000,000
Euro Medium Term Note Programme

for the issue of Notes
due from one month to 30 years from the date of issue

KommuneKredit (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "Notes") denominated in such currencies as may be agreed with the Purchaser(s) (as defined below). The Notes will have maturities from one month to 30 years from the date of issue (except as set out herein) and, subject as set out herein, the maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed U.S.$5,000,000.000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 46 (each, a "Dealer" and together, the "Dealers", which expressions shall include any additional Dealer appointed under this U.S.$5,000,000,000 Euro Medium Term Note Programme (the "Programme") from time to time). Notes may also be issued directly by the Issuer to persons other than Dealers. Dealers and such other persons are referred to as "Purchasers".

Application has been made to list the Notes to be issued under the Programme on the Luxembourg Stock Exchange for the period of 12 months from the date of this Information Memorandum. Unlisted Notes and Notes listed on other or additional stock exchanges may also be issued under the Programme.

The Programme has been rated Aaa/P-1 by Moody's Investors Service Limited ("Moody's") and AAA/A-1+ by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P"). Notes issued under the Programme may be rated or unrated. When a tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension cancellation, reduction or withdrawal at any time by the assigning rating agency.

Arranger

Lehman Brothers

Dealers

BNP PARIBAS	Deutsche Bank
KommuneKredit	Lehman Brothers
Morgan Stanley	Nomura International
Schroder Salomon Smith Barney	UBS Warburg

28th June, 2002.

(This Information Memorandum replaces the Information Memorandum dated 3rd August, 2001.)

The purpose of this Information Memorandum is to give Information with regard to the Issuer and the Notes. The Issuer has warranted to the Dealers that, *inter alia*, this Information Memorandum is true and accurate in all material respects, does not contain any untrue statement of a material fact nor omit to state any material fact known to the Issuer necessary to make the statements herein not misleading and all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements. The Issuer accepts responsibility accordingly.

This Information Memorandum is to be read in conjunction with all the documents which are deemed to be Incorporated herein by reference (see "Documents Incorporated by Reference" on page 4). This Information Memorandum shall be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the financial information contained in this Information Memorandum, or any other financial statements or any further information supplied in connection with the Programme or the Notes. The Dealers accept no liability in relation to the financial or other information contained in this Information Memorandum or any other financial statements or any further information supplied in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other financial statements or further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or by any of the Dealers.

Neither this Information Memorandum nor any other financial statements nor any further information supplied in connection with the Programme or the Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Information Memorandum or any other financial statements or any further information supplied in connection with the Programme or the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. None of this Information Memorandum, any other financial statements or any further information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or any of its subsidiaries during the life of the Programme.

Investors should review, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any of the Notes.

The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any 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 or the Dealers which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Information Memorandum 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 and the Dealers have represented that all offers and sales by them will be made on the same terms.

The distribution of this Information Memorandum and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about, and observe, any such restrictions.

In particular, *there are restrictions* on the distribution of this Information Memorandum and/or the offer or sale of the Notes in the United States, Denmark, the United Kingdom, Japan, Germany and Hong Kong (see "Subscription and Sale" on page 41).

The Notes have not been and will not be registered under the United States Securities Act of 1933 and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Subscription and Sale" on page 41).

In this Information Memorandum, references to "DKK" and "Kroner" are to Danish kroner, references to "€" are to euro, references to "$", "U.S.$" and "U.S. dollars" are to United States dollars, references to "£" and "Sterling" are to pounds Sterling and references to "yen" and are to Japanese yen.

In connection with the issue of any Tranche (as defined on page 9) of Notes, the Dealer (if any) disclosed as stabilising dealer in the relevant Pricing Supplement (as defined on page 4) or any person acting for him may over-allot or effect transactions with a view to supporting the market price of such Notes at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, must be brought to an end after a limited period and shall be in compliance with all relevant laws and regulations.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(1) the most recently published annual report and accounts and, if published, the interim accounts of the Issuer from time to time; and

(2) all supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the undertaking described below given by it in the Programme Agreement (as defined in "Subscription and Sale" on page 41);

save that any statement contained herein or in a document all or the relative portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document all or the relative portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the oral or written request of any such person, a copy of any or all of the documents which, or portions of which, are incorporated herein by reference. Written or oral requests for such documents should be directed to the Issuer at its registered office set out at the end of this Information Memorandum. In addition, such documents will be available, free of charge, from the principal office in Luxembourg of Kredietbank S.A. Luxembourgeoise in its capacity as listing agent (the "Listing Agent") for the Listed Notes (as defined below).

The Issuer has given an undertaking in connection with the listing of the Notes on the Luxembourg Stock Exchange to the effect that after the submission of this Information Memorandum to the Luxembourg Stock Exchange and during the duration of the Programme it shall publish an amendment, supplement or a new Information Memorandum as may be required by the rules of the Luxembourg Stock Exchange in the event of any material adverse changes in the business, financial condition or otherwise, of the Issuer and its subsidiaries set out in this Information Memorandum and shall promptly supply to each Dealer and the Luxembourg Stock Exchange such number of copies of the amendment, supplement or new Information Memorandum (as the case may be) as such Dealer or the Luxembourg Stock Exchange may reasonably request.

DESCRIPTION OF THE PROGRAMME

The Issuer, subject to compliance with all relevant laws, regulations and directives, may, from time to time, issue Notes denominated in such currencies as may be agreed with the relevant Purchaser(s).

The issue price, issue date, maturity date, nominal amount, interest rate (if any) applicable to a Note and any other relevant provisions of such Note will be agreed between the Issuer and the relevant Purchaser(s) at the time of agreement to issue and will be specified in the Pricing Supplement (the "Pricing Supplement"), as more fully described under "Form of the Notes" which, with respect to each Tranche (as defined on page 9) of Notes which is to be listed on the Luxembourg Stock Exchange (the "Listed Notes"), will be delivered to the Luxembourg Stock Exchange on or before the date of issue of such Tranche.

Subject as set out herein, this Information Memorandum and any supplement hereto will only be valid for listing Notes if the aggregate of the principal amount of those Notes and all Notes outstanding as at the date of issue of those Notes did not exceed U.S.$5,000,000,000 (or its equivalent in the other currencies specified herein) outstanding at any one time, calculated by reference to the Exchange Rate prevailing at the Agreement Date (each as defined in the last paragraph of "Form of the Notes") and otherwise on the basis specified in "Form of the Notes". For the purpose of calculating the U.S. dollar equivalent of the nominal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another Specified Currency (as defined under "Form of the Notes") shall be determined as of the date of agreement to issue such Notes (the "Agreement Date") on the basis of the Exchange Rate on such date. As used herein, the "Exchange Rate" against the U.S. dollar for any currency means the spot rate for the sale of the U.S. dollar against the purchase of such currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on the Agreement Date. The U.S. dollar equivalent of Dual Currency Notes, Indexed Notes, Zero

Coupon Notes or other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the original nominal amount of any particular issue. The nominal amount of Partly Paid Notes will be taken into account regardless of the amount of the subscription price paid.

SUMMARY OF TERMS AND CONDITIONS OF THE PROGRAMME AND THE NOTES

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined or used in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meaning in this summary:

Issuer:	KommuneKredit
Arranger:	Lehman Brothers International (Europe)
Dealers:	BNP PARIBAS Deutsche Bank AG London KommuneKredit Lehman Brothers International (Europe) Morgan Stanley & Co. International Limited Nomura International plc Salomon Brothers International Limited UBS AG, acting through its business group UBS Warburg
Issuing and Principal Paying Agent and Agent Bank:	Citibank, N.A., London office.
Amount:	Up to U.S.$5,000,000,000 (or its equivalent in other currencies calculated on the Agreement Date) outstanding at any one time. Under the Programme Agreement, the nominal amount of Notes outstanding under the Programme Agreement, the nominal amount of Notes outstanding under the Programme may be increased, subject to the satisfaction of certain conditions set out therein.
Description:	Continuously offered Euro Medium Term Note Programme.
Currencies:	Australian dollars, Canadian dollars, Danish kroner, euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Sterling, Swedish kronor, Swiss francs and U.S. dollars and such other currency or currencies, subject to compliance with all relevant laws, regulations and directives, as may be agreed between the Issuer and the relevant Purchaser(s). Each issue of Notes denominated in Swiss francs, bearing interest payable in Swiss francs or redeemable in Swiss francs will take place in compliance with the relevant regulations of the Swiss National Bank, to the extent applicable, based on Article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and Article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with Article 2, paragraph 2 of the Ordinance of the Federal Banking Commission and Stock Exchanges and Securities Trading of 2nd December, 1996 (as amended from time to time). Under those regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager must be a bank domiciled in Switzerland (which includes a branch or subsidiary of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission pursuant to the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 (the "Swiss Dealer"). The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such a transaction.
Maturities:	Any maturity between one month and 30 years. Notes issued under the Programme will not have a minimum maturity which is less than the minimum maturity, or a maximum maturity which is more than

the maximum maturity which may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.

Redenomination: If the Specified Currency of an issue of Notes is a currency of one of the member states of the European Union which has not adopted the euro, the Issuer may specify in the applicable Pricing Supplement that such Notes will include redenomination provisions for the redenomination of the Specified Currency to euro, and if so specified, the wording of the redenomination provisions will be set out in full in the applicable Pricing Supplement.

Issue Price: Notes may be issued at par or at a discount to, or premium over, par and either on a fully paid or partly paid basis.

Fixed Rate Notes: Fixed rate interest will be payable in arrear (unless otherwise specified in the applicable Pricing Supplement) on such day(s) as agreed between the Issuer and the relevant Purchaser(s).

Interest will be calculated on the basis of such Fixed Day Count Fraction as may be specified in the applicable Pricing Supplement.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Change of Interest Basis: Notes may be converted from one Interest Basis to another if so provided in the applicable Pricing Supplement.

Interest Periods for Floating Rate Notes: One, two, three, six or twelve months or such other period(s) as the Issuer and the relevant Purchaser(s) may agree (as indicated in the applicable Pricing Supplement).

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based upon such rates of exchange, as the Issuer and the relevant Purchaser(s) may agree (as indicated in the applicable Pricing Supplement).

Indexed Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Indexed Notes will be calculated by reference to such Index and/or Formula as the Issuer and the relevant Purchaser(s) may agree (as indicated in the applicable Pricing Supplement). Indexed Notes which are (i) listed on the Paris Bourse or (ii) placed in France must be issued in compliance with the *Principes Généraux from time to time set by the Commission des Opérations de Bourse* and the *Conseil des Marchés Financiers.*

Zero Coupon Notes:	Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest other than in relation to interest due after the Maturity Date.
Redemption:	The Pricing Supplement applicable to each Tranche of Notes will indicate either that the Notes of that Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below) or for taxation reasons or following an Event of Default), or that such Notes will be redeemable prior to such stated maturity at the option of the Issuer and/or the holder(s) of such Notes upon giving not less than 30 nor more than 60 days' irrevocable notice, or such other period as may be indicated in the applicable Pricing Supplement, to the relevant Noteholders or the Issuer, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be indicated in the applicable Pricing Supplement. The applicable Pricing Supplement may provide that the Notes may be redeemed in two or more instalments of such amounts and on such dates and on such other terms as may be indicated in such Pricing Supplement. Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which must be redeemed before the first anniversary of their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the Issuer.
Denominations of Definitive Notes:	Such denominations as may be agreed between the relevant Issuer and the relevant Purchaser(s) and as indicated in the applicable Pricing Supplement (provided that the minimum denomination for all Notes will be that as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant Specified Currency).
Variation of Terms and Conditions:	The Issuer may agree with any Dealer(s) that Notes may be issued in a form not contemplated under "Terms and Conditions of the Notes". The relevant Pricing Supplement will describe the effect of the agreement reached in relation to such Notes.
Taxation:	All payments by the Issuer in respect of the Notes will be made without withholding or deduction for or on account of Danish taxes subject as provided in Condition 6.
Status:	The Notes will be direct, unconditional and general obligations of the Issuer and shall rank *pari passu* without any preference among themselves and at least equally with all other unsecured indebtedness, including guarantees and other obligations of a similar nature of the Issuer (save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding-up may give preference to any of such other unsecured obligations).
Negative Pledge:	The Issuer will not create or permit to subsist any mortgage, charge pledge, lien or other form of encumbrance or security interest upon the whole or any part of its property to secure any quoted debt, or

any guarantee of or indemnity in respect of any quoted debt and the Issuer will procure that no other person gives any guarantee of, or indemnity in respect of, any of its quoted debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution of the Noteholders. The Issuer is not prevented from creating or having outstanding any Security (i) on property purchased by the Issuer as security for all or any part of the purchase price thereof, (ii) incurred in the ordinary course of financial business or (iii) imposed by requirements from governmental authorities, the Central Bank of Denmark or any other public authority provided that the borrowings (if any) secured by such Security are not quoted debt.

Cross Default: The Notes will contain a cross default in relation to the due payment of any loan indebtedness in excess of U.S.$10,000,000 or its equivalent of, or assumed or guaranteed by, the Issuer, if any such event has not been cured within any applicable period of grace.

Rating: The Programme has been rated Aaa/P-1 by Moody's Investors Service Limited ("Moody's") and AAA/A-1+ by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P"). Notes issued under the Programme may be rated or unrated. When a tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension cancellation, reduction or withdrawal at any time by the assigning rating agency.

Listing: Application has been made to list the Notes to be issued under the Programme on the Luxembourg Stock Exchange. Unlisted Notes and Notes listed on other or additional stock exchanges may also be issued under the Programme. The Pricing Supplement for each issue will state whether or not the Notes are to be listed.

Governing Law: English.

Selling Restrictions: There are restrictions on the sale of Notes and the distribution of offering material—see "Subscription and Sale" on page 41.

FORM OF THE NOTES

Each Tranche (which means all Notes of the same Series (as defined in "Terms and Conditions of the Notes" on page 17) with the same issue date), will initially be represented by a temporary global Note without Coupons, Receipts or Talons (each as defined in the "Terms and Conditions of the Notes") which will be delivered on the issue date to a common depositary for Euroclear and Clearstream, Luxembourg (each as defined in "Terms and Conditions of the Notes" on page 18).

Whilst any Note is represented by a temporary global Note, payment of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form set out in the temporary global Note) has been received by Euroclear and/ or Clearstream, Luxembourg. On and after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (provided that if it is a Partly Paid Note (as described on page 24) all instalments of the subscription monies due before the date of such exchange have been paid) upon request, for interests in a permanent global Note against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms of the temporary global Note unless certification has already been given pursuant to the first sentence of this paragraph. On and after the Exchange Date the holder of a temporary global Note will not be entitled to receive any payment of interest or principal thereon. Pursuant to the Agency Agreement (as defined in "Terms and Conditions of the Notes" on page 17) the Agent (as defined in "Terms and Conditions of the Notes" on page 17) shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a Common Code and an ISIN which are different from the Common Code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days after the completion of the distribution of the Notes of such Tranche as certified by the Agent to the relevant Purchaser(s).

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent global Note without any requirement for certification. Unless otherwise provided in the applicable Pricing Supplement, a permanent global Note will be exchangeable (provided that if it is a Partly Paid Note all instalments of the subscription moneys due before the date of such exchange have been paid) in whole or (subject to the Notes which continue to be represented by the permanent global Note being regarded by Euroclear and Clearstream, Luxembourg as fungible with the definitive Notes issued in partial exchange for such permanent global Note) in part, on 60 days' written notice expiring at least 90 days after the Exchange Date from the holder to the Agent, for security printed definitive Notes with, where applicable, Coupons, Receipts and Talons attached. Temporary and permanent global Notes and definitive Notes will be authenticated and delivered by the Agent on behalf of the Issuer. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Notes in permanent global form as fungible with Notes in definitive form. Accordingly under the current regulations of Euroclear and Clearstream, Luxembourg a permanent global Note will not be exchangeable in part for definitive Notes for so long as such permanent global Note is held by a common depositary for Euroclear and Clearstream, Luxembourg.

The following legend will appear on all global Notes, definitive Notes, Coupons, Receipts and Talons: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code".

Notes may be accelerated by the holder thereof in certain circumstances described in "Terms and Conditions of the Notes—Events of Default". In such circumstances, where such Notes are still represented by a global Note and a holder with an interest in such Note credited to its securities account with Euroclear or Clearstream, Luxembourg gives notice to the Agent that it wishes to accelerate such Notes, then unless within a period of 15 days from the giving of such notice payment has been made in full in accordance with the terms of the global Note, the global Note will become void. At the same time, holders of interests in such Note credited to their accounts with Euroclear or Clearstream, Luxembourg will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, under the terms of a deed of covenant (the "Deed of Covenant") dated 28th June, 2002 executed by the Issuer.

Form of Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

Pricing Supplement dated [*date*]

KommuneKredit

U.S.$5,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 28th June, 2002. This Pricing Supplement must be read in conjunction with such Information Memorandum.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs.]

1	Issuer:	KommuneKredit
2.	[(i)] Series Number:	[ ]
	[(ii) Tranche Number: *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]*	[ ]
3.	Specified Currency or Currencies: [ ]	
4.	Aggregate Nominal Amount:	
	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
5.	[(i)] Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)]*
	[(ii) Net proceeds:	[ ] *(Required only for listed issues)]*
6.	Specified Denominations: [ ]*	
		[ ]
7.	[(i)] Issue Date:	[ ]
	[(ii) Interest Commencement Date (if different from the Issue Date):	[ ]]
8.	Maturity Date:	*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[*specify reference rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)

*Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom (or whose issue otherwise constitutes a contravention of section 19 of the FSMA) and which must be redeemed before the first anniversary of the date of their issue must have a minimum redemption value of £100.000 (or its equivalent in other currencies).

10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11.	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Status of Notes:	[Senior/[Dated/Perpetual]/Subordinated]
14.	Listing:	[Luxembourg/other (*specify*)/None]
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year commencing [ ] up to and including the Maturity Date
	(iii) Fixed Coupon Amount[(s)]:	[ ] per [ ] in Nominal Amount
	(iv) Broken Amount(s):	*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ISMA) or specify other] *(Note that if interest is not payable on a regular basis (for example, if there are Broken Amounts specified) Actual/Actual (ISMA) will not be a suitable Day Count Fraction)*
	(vi) Determination Date(s)	[ ] in each year *[Insert interest payment dates except where there are long or short periods. In those cases, insert regular interest payment dates]* (NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

17.	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(iii)	Additional Business Centre(s):	[ ]
(iv)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[ ]
(vi)	Screen Rate Determination:	
	— Reference Rate:	[ ] *(Either LIBOR, EURIBOR or other, although additional information is required if other — including to fallback provisions in the Agency Agreement)*
	— Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	— Relevant Screen Page:	*(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate)*
(vii)	ISDA Determination:	
	— Floating Rate Option:	[ ]
	— Designated Maturity:	[ ]
	— Reset Date:	[ ]
(viii)	Margin(s):	[+/−] [ ] per cent. per annum
(ix)	Minimum Rate of Interest:	[ ] per cent. per annum
(x)	Maximum Rate of Interest:	[ ] per cent. per annum
(xi)	Day Count Fraction:	[ ]
(xii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

18.	Zero Coupon Note Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) [Amortisation/Accrual] Yield:	[ ] per cent. per annum
	(ii) Reference Price:	[ ]
	(iii) Any other formula/basis of determining amount payable:	[ ]
	(iv) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 4(f) applies/*specify others*]
19.	Index-Linked Interest Note Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Index/Formula:	*[give or annex details]*
	(ii) Calculation Agent responsible for calculating the interest due:	[ ]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi) Additional Business Centre(s):	[ ]
	(vii) Minimum Rate of Interest:	[ ] per cent. per annum
	(viii) Maximum Rate of Interest:	[ ] per cent. per annum
	(ix) Day Count Fraction:	[ ]
20.	Dual Currency Note Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	*[give details]*
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call	[Applicable/Not Applicable]
	(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ]
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[ ]
(b) Maximum Redemption Amount:	[ ]
(iv) Notice period (if other than as set out in the Conditions):	[ ]
22. Investor Put	[Applicable/Not Applicable]
	(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i) Optional Redemption Date(s):	[ ]
(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ]
(iii) Notice period (if other than as set out in the Conditions):	[ ]
23. Final Redemption Amount	[Par/other/see Appendix]
24. Early Redemption Amount	
Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:	Bearer Notes:
	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/ in the limited circumstances specified in the Permanent Global Note.]
	[Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/ in the limited circumstances specified in the Permanent Global Note.]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates*]

27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	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/*give details]*
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
31.	Consolidation provisions:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
32.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

33.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
34.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

36.	ISIN Code:	[ ]
37.	Common Code:	[ ]
38.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
39.	Delivery:	Delivery [against/free of] payment
40.	Additional Paying Agent(s) (if any):	[ ]

[LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the [insert Programme Amount] Euro Medium Term Note Programme of KommuneKredit.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ....

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which (subject to completion and amendment) will be attached to or incorporated by reference into each global Note and which will be attached to or endorsed upon each definitive Note, provided that the relevant Pricing Supplement in relation to any Series of Notes may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of Notes.

This Note is one of a Series of Euro Medium Term Notes (the "Notes" which expression shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency of the relevant Notes, (ii) definitive Notes issued in exchange (or part exchange) for a permanent global Note, and (iii) any global Note) issued by KommuneKredit (the "Issuer") pursuant to an Agency Agreement dated 28th June, 2002 as the same may be amended and restated from time to time (the "Agency Agreement") and made between the Issuer, Citibank, N.A. as issuing agent, principal paying agent and agent bank (the "Agent" which expression shall include any successor as agent) and the other paying agent named therein (together with the Agent, the "Paying Agents" which expression shall include any additional or successor paying agents). All of the Notes from time to time issued by the Issuer which are for the time being outstanding are hereinafter referred to as the "Notes" and the term "Note" is to be construed accordingly. As used herein, "Series" means each original issue of Notes together with any further issues expressed to form a single series with the original issue and the terms of which are (save for the Issue Date, Interest Commencement Date and the Issue Price) otherwise identical (including whether or not the Notes are listed) and which are consolidated and form a single series and shall be deemed to include the temporary and permanent global Notes and the definitive Notes of such Series and the expressions "Notes of the relevant Series" and "holders of Notes of the relevant Series" and related expressions shall be construed accordingly.

The Pricing Supplement in relation to this Note is attached hereto or endorsed hereon and supplements these Terms and Conditions and may specify other Terms and Conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace these Terms and Conditions for the purposes of this Note. References herein to the "applicable Pricing Supplement" are to the Pricing Supplement attached hereto or endorsed hereon.

The holders for the time being of the Notes ("Noteholders"), which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1, the holders of the Coupons (as defined below) appertaining to interest-bearing definitive Notes (the "Couponholders"), the holders of the Talons (as defined below) (the "Talonholders") and the holders of the Receipts (as defined below) (the "Receiptholders") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, which are binding on them. Words and expressions defined in the Agency Agreement or defined or set out in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated. Copies of the Agency Agreement (which contains the form of Pricing Supplement) and the Pricing Supplement for the Notes of this Series are available from the specified office of each of the Paying Agents set out at the end of these Terms and Conditions.

The Noteholders are entitled to the benefit of a deed of covenant (the "Deed of Covenant") dated 28th June, 2002 made by the Issuer. The original of the Deed of Covenant is held by a common depositary on behalf of Euroclear or Clearstream, Luxembourg (each as defined below). Copies of the Deed of Covenant may be obtained upon request during normal business hours from the specified offices of each of the Paying Agents.

1. Form, Denomination and Title

The Notes of this Series are in bearer form in the Specified Currency and Specified Denomination(s) and definitive Notes of this Series will be serially numbered. This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or any appropriate combination thereof depending upon the Interest Basis specified in the applicable Pricing Supplement. It is also a Dual Currency Note and/or a Partly Paid Note or an Indexed Note (where payment in respect of principal is linked to an Index and/or Formula) depending in each case on the Redemption/Payment Basis shown in the applicable Pricing Supplement and the appropriate provisions of these Terms and Conditions will apply accordingly. If it is a definitive Note, it is issued with interest coupons for the payment of interest ("Coupons") attached and, if applicable, talons for further Coupons ("Talons") attached, unless it is a

Zero Coupon Note, in which case references to the interest (other than in relation to interest due after the Maturity Date) and Coupons in these Terms and Conditions are not applicable. If it is a definitive Note redeemable in instalments it is issued with receipts ("Receipts") for the payment of instalments of principal prior to the stated maturity attached. Wherever Dual Currency Notes, Partly Paid Notes or Indexed Notes are issued to bear interest on a fixed or floating rate basis or on a non interest-bearing basis, the provisions in these Terms and Conditions relating to Fixed Rate Notes, Floating Rate Notes and Zero Coupon Notes respectively shall, where the context so admits, apply to such Dual Currency Notes, Partly Paid Notes or Indexed Notes. Any reference in these Terms and Conditions to Coupon(s), Couponholder(s) or coupon(s) shall, unless the context otherwise requires, be deemed to include a reference to Talon(s), Talonholder(s) or talon(s).

Subject as set out below, title to the Notes, the Coupons and Receipts will pass by delivery. The holder of each Coupon or Receipt, whether or not such Coupon or Receipt is attached to a Note, in its capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. The Issuer and any Paying Agents may, to the fullest extent permitted by applicable law, deem and treat the bearer of any Note, Coupon or Receipt as the absolute owner thereof (whether or not such Note, Coupon or Receipt shall be overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out below.

For so long as any of the Notes of this Series are represented by a global Note held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person who is for the time being shown in the records of Euroclear and/or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as a holder of such nominal amount of such Notes for all purposes other than for the payment of principal (including premium (if any)) and interest on such Notes, the right to which shall be vested, as against the Issuer and any of the Paying Agents, solely in the bearer of the global Note in accordance with and subject to its terms (and the expressions "Noteholder", "holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional clearance system approved by the Issuer, the Agent and, where the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange.

Interests in a Permanent Global Note will be exchanged (subject to the period allowed for delivery as set out in (i) below), in whole but not in part only and at the request of the holder of such Global Note, for Definitive Notes (a) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) if the Issuer or any person acting on its behalf is obliged to pay additional amounts as provided in Condition 6 which would not be required were the Notes in definitive bearer form or, (c) if so specified in the Pricing Supplement, at any time on the request of the bearer (each an "Exchange Event"). Whenever a Permanent Global Note is to be exchanged for Definitive Notes the Issuer shall procure the prompt delivery of such Definitive Notes, duly authenticated and where and to the extent applicable, with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of such Permanent Global Note to the holder of the Permanent Global Note against its surrender at the specified office of the Agent within 30 days of the holder requesting such exchange.

Furthermore, if,

(i) Definitive Notes have not been delivered in accordance with the foregoing by 5.00 p.m. (London time) on the thirtieth day after the holder has requested exchange, or

(ii) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the principal and interest due together with all accrued interest thereon has not been made to the Holder in accordance with the Conditions on the due date for payment,

then such Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the holder of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which such holder or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg or other relevant clearing system (as the case may be).

2. Status and Negative Pledge

(a) The Notes and Coupons constitute direct, unconditional and general obligations of the Issuer and shall rank *pari passu* without any preference among themselves and at least equally with all other unsecured indebtedness, including guarantees and other obligations of a similar nature of the Issuer (save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding-up may give preference to any of such other unsecured obligations).

(b) So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt, and the Issuer will procure that no other person gives any guarantee of, or indemnity in respect of, any of its Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Coupons (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders. This Condition shall not prevent the Issuer creating or having outstanding any Security (i) on property purchased by the Issuer as security for all or any part of the purchase price thereof, (ii) incurred in the ordinary course of financial business or (iii) imposed by requirements from governmental authorities, the Central Bank of Denmark or any other public authority provided that the borrowings (if any) secured by such Security are not Relevant Debt.

(c) For the purposes of this Condition, "Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the- counter or other securities market.

3. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to the first Interest Payment Date differs from the period between subsequent Interest Payment Dates, will amount to the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or the Interest Commencement Date) to the Maturity Date will amount to the final Broken Amount. Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Fixed Rate Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note and (b) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions:

"Day Count Fraction" means:

(i) if "Actual/Actual (ISMA)" is specified in the applicable Pricing Supplement:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends commencing on the last Interest Payment Date (or, if none, the Interest Commencement Date), the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates as specified in the applicable Pricing Supplement that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

(ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

"Determination Period" means, the period from (and including) a Determination Date to but excluding the next Determination Date including, where either the Interest Commencement Date or the Final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date following after, such date; and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and means, with respect to euro, one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the applicable Pricing Supplement; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B), the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "Business Day" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open. In these Terms and Conditions, "TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(ii) Interest Payments

Interest will be paid subject to and in accordance with the provisions of Condition 5. Interest will cease to accrue on each Floating Rate Note (or, in the case of the redemption of part of a Note, only of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 12 or individually) of receipt of all sums due in respect thereof up to that date.

(iii) Rate of Interest

The rate of interest (the "Rate of Interest") payable from time to time in respect of this Note if it is a Floating Rate Note will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), (i) "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions, (ii) the definition of "Banking Day" in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line the word "general" and (iii) "Euro-zone" means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iv) Determination of Rate of Interest and Calculation of Interest Amount

The Agent will, as soon as practicable after the customary time on each Interest Determination Date (being, if the Rate of Interest is being determined in accordance with Condition 3(b)(iii)(B), the day or date as set out in the appropriate floating rate option set out in the ISDA Definitions upon which it is customary, in accordance with the terms of the appropriate floating rate option which is being used to determine the Rate of Interest, to determine the Rate of Interest), determine the Rate of Interest and calculate the amount of interest payable in respect of each Specified Denomination (each, an "Interest Amount") for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to a Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest cent (or its approximate equivalent in the relevant other Specified Currency), half a cent (or its approximate equivalent in the relevant other Specified Currency) being rounded upwards. The determination of the Rate of Interest and calculation of each Interest Amount by the Agent shall (in the absence of manifest error) be final and binding upon all parties. Reference in this sub-paragraph to the "customary time" is to the time of day when, in accordance with the terms of the appropriate floating rate option, it is customary to determine the basis for the calculation of the Rate of Interest as set out in the appropriate floating rate option. If the Rate of Interest is being determined in accordance with Condition 3(*b*)(*iii*)(A), the Interest Determination Date shall be set out in the applicable Pricing Supplement.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/365" or "Actual/Actual (ISDA)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non- leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amount

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and (in the case of Floating Rate Notes which are listed on the Luxembourg Stock Exchange), the Luxembourg Stock Exchange or (if applicable) any other stock exchange on which the relevant Floating Rate Notes are for the time being listed and to be published in accordance with the provisions of Condition 11 as soon as possible but in any event not later than the fourth business day (being a day on which commercial banks and foreign exchange markets settle payments in the city where the Agent is located) after their determination. Each Interest Amount and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without publication as aforesaid in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which this Note, if it is a Floating Rate Note, is for the time being listed.

(vi) If the applicable Pricing Supplement specifies a Minimum Rate of Interest, then the Rate of Interest shall in no event be less than such minimum, and if there is so shown a Maximum Rate of Interest then the Rate of Interest shall in no event exceed such maximum.

(c) *Zero Coupon Notes*

Where a Zero Coupon Note becomes due and payable prior to the Maturity Date and is not paid when due, the amount due and payable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 4(f)(iii). As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Amortisation Yield. Such interest shall continue to accrue (as well after as before any judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note and (ii) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. Such interest will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and in the case of an incomplete month the actual number of days elapsed.

(d) *Indexed Notes*

In the case of Indexed Notes where the rate of interest (whether on any Interest Payment Date, Fixed Interest Date, early redemption, maturity or otherwise) falls to be determined by reference to the Index and/or the Formula, the rate of interest shall be determined in accordance with the Index and/or the Formula in the manner specified in the applicable Pricing Supplement and payment shall otherwise be made in accordance with Condition 5.

(e) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes) interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

4. Redemption and Purchase

(a) *Final Redemption*

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its nominal amount in the Specified Currency on the Maturity Date.

(b) *Redemption for Tax Reasons*

The Notes of this Series may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice in accordance with Condition 11 (which notice shall be irrevocable), in accordance with paragraph (g) or (h) (as applicable) below if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Denmark or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first issue of Notes of this Series and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes of this Series then due. Prior to the publication of any notice of redemption pursuant to this paragraph (b), the Issuer shall deliver to the Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) *Redemption at the option of the Issuer*

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, at any time (if this Note is not a Floating Rate Note) or only on any Interest Payment Date (if this Note is a Floating Rate Note) at its option, on giving not less than 30 nor more than 60 days' notice to the holders of Notes of this Series (which notice shall be irrevocable and shall specify the date fixed for redemption) in accordance with Condition 11, redeem all or some only of the Notes of this Series then outstanding on any Optional Redemption Date (subject as provided above) specified prior to the stated maturity of such Notes and at the Optional Redemption Amount specified in the applicable Pricing Supplement. In the event of a redemption of some only of such Notes, such redemption must be for an amount being not less than U.S. $1,000,000 in nominal amount or a higher integral multiple of U.S.$1,000,000 (or their respective equivalents in other Specified Currencies as determined by the Issuer). In the case of a partial redemption of such Notes in definitive form, Notes to be redeemed will be selected individually by lot in such place as the Agent may approve and in such manner as the Agent shall deem to be appropriate and fair (without involving any part only of a Note) not more than 60 days prior to the date fixed for redemption and a list of such Notes called for redemption will be published in accordance with Condition 11 not less than 15 nor more than 30 days prior to such date. In the case of a partial redemption of such Notes represented by a permanent global Note, the relevant Notes will be redeemed in accordance with the rules of Euroclear and Clearstream, Luxembourg.

(d) Redemption at the option of the Noteholders

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of this Note giving to the Issuer in accordance with Condition 11 not less than 30 nor more than 60 days' notice, or as otherwise specified in the applicable Pricing Supplement (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem in whole (but not in part) this Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Pricing Supplement. If such Notes are in definitive form, to exercise the right to require redemption of his Notes the holder of the Notes must deliver such Notes, in each case on any business day (as defined in Condition 5) falling within the notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(e) Purchase

The Issuer or any of its Subsidiaries (if any) (as defined in Condition 7) may at any time purchase or otherwise acquire Notes of this Series in the open market or otherwise. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of definitive Notes of this Series) any unmatured Coupons or Receipts attached thereto or purchased therewith). If purchases are made by tender, tenders must be made available to all holders of Notes of this Series alike.

(f) Zero Coupon Notes

(i) The amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to paragraph (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 7, shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any Zero Coupon Note shall be the sum of the figure 1 and the Accrual Yield, raised to the power of x, where "x" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 360 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360. Where such calculation is to be made for a period other than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month the actual number of days elapsed.

(iii) If the amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to paragraph (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 7 is not paid when due, the amount due and repayable in respect of such Note shall be the Amortised Face Amount of such Note calculated pursuant to sub-paragraph (ii) above, except that that sub-paragraph shall have effect as though the reference therein to the date on which such Note becomes due and repayable were replaced by a reference to the date (the "Reference Date") which is the earlier of (a) the date on which all sums due in respect of such Note up to that day are received by or on behalf of the holder thereof, and (b) the date on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the nominal amount of such Note together with any interest which may accrue in accordance with Condition 3(c).

(g) Early Redemption Prices

For the purposes of paragraph (b) above and Condition 7, Notes will be redeemed (i) in the case of Notes (other than Indexed Notes and Dual Currency Notes) at their nominal amount in the relevant Specified Currency together with interest accrued to the date of payment, or (ii) in the case of Zero Coupon Notes, at the Amortised Face Amount of such Notes determined in accordance with paragraph (f) above, or (iii) in the case of Indexed Notes and Dual Currency Notes, in accordance with Condition 4(h) below.

(h) Indexed Notes and Dual Currency Notes

In respect of an Indexed Note the amount payable in respect of principal at maturity (the "Redemption Amount") shall be determined in accordance with the applicable Pricing Supplement and each such Indexed Note shall, unless previously redeemed or purchased and cancelled as provided below, be redeemed at the applicable Redemption Amount on the Maturity Date. In respect of an Indexed Note where the amount payable on an early redemption in respect of principal only, principal and interest or interest only shall be determined in accordance with the applicable Pricing Supplement. Dual Currency Notes where the amount payable upon redemption (whether at maturity or upon early redemption pursuant to Condition 7 or otherwise) falls to be determined by reference to the Rate of Exchange will be redeemed at the amount calculated by reference to such Rate of Exchange together (if appropriate) with interest accrued to the date fixed for redemption.

(i) Cancellation

All Notes redeemed, and all Notes purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation, shall be cancelled (together, in the case of definitive Notes, with all unmatured Coupons and Receipts presented therewith), and thereafter may not be reissued or resold.

(j) Instalments

Each Note in definitive form which is redeemable in instalments will be redeemed in the Instalment Amounts and on the Instalment Dates, in the case of all instalments (other than the final instalment) by surrender of the relevant Receipt (which must be presented with the Note to which it appertains) and in the case of the final instalment by surrender of the relevant Note, all as more fully described in Condition 5.

(k) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition as amended or varied by the information specified in the applicable Pricing Supplement.

5. Payments and Exchange of Talons

Payments of principal and interest (if any) in respect of the definitive Notes (if issued) will (subject as provided below) be made against presentation or surrender of such Notes or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States. Payments of principal in respect of instalments (if any), other than the last instalment, will (subject as provided below) be made against surrender of the relevant Receipt. Payment of the last instalment will be made against surrender of the relevant Note. Each Receipt must be presented for payment of such instalment together with the relevant definitive Note against which the amount will be payable in respect of that instalment. If any definitive Notes are redeemed or become repayable prior to the Maturity Date in respect thereof, principal will be payable on surrender of each such Note together with all unmatured Receipts appertaining thereto. Upon such due date for redemption unmatured Receipts will become void and no payment will be made in respect of them. Unmatured Receipts and Receipts presented without the definitive Notes to which they appertain do not constitute obligations of the Issuer. All payments of interest and principal with respect to Notes will be made outside the United States except as otherwise provided below.

In respect of definitive Notes:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which such global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

Notwithstanding the foregoing, payments due to be made in U.S. dollars in respect of Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)): (i) if (1) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount due on the Notes in the manner provided above when due, (2) payment of the full amount due at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (3) such payment is then permitted under United States law, and (ii) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

The holder of the relevant global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of Notes must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of the relevant global Note. No person other than the holder of the relevant global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Fixed Rate Notes in definitive form, other than those whose nominal amount is less than the aggregate interest payable thereon on the relevant dates for the payment of interest under Condition 3 (a "Long Maturity Note") and Indexed Notes, should be presented for payment with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of Talons which will have matured on or before the relevant redemption date), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of such missing unmatured Coupon which the sum so paid bears to the total amount due) will be deducted from the sum due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time thereafter but before the expiry of a period of ten years from the Relevant Date (as defined in Condition 6) for the payment of such sum due for payment, whether or not such Coupon has become void pursuant to Condition 8 or, if later, five years from the due date for payment of such Coupon.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all Talons (if any) appertaining thereto and maturing on or after such due date will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Note, Long Maturity Note, Dual Currency Note or Indexed Note in definitive form, all unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (A) the relevant place of presentation;

  (B) London;

  (C) any Additional Financial Centre specified in the applicable Pricing Supplement; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

If the due date for redemption of any interest bearing Note is not a due date for the payment of interest relating thereto, interest accrued in respect of such Note from (and including) the last preceding due date for the payment of interest (or from the Interest Commencement Date, as the case may be) will be paid only against surrender of such Note.

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any of the Paying Agents in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the interest payment date on which the final Coupon comprised in the relative Coupon sheet matures.

The names of the initial Agent and the other initial Paying Agents and their initial specified offices in respect of this Series of Notes are set out below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or to approve any change in the specified office of any Paying Agent, provided that it will, so long as any of the Notes of this Series is outstanding, maintain (i) an Agent, and (ii) if and so long as any Notes of this Series are listed on the Luxembourg Stock Exchange, a Paying Agent (which may be the Agent) having a specified office in Luxembourg, and (iii) if the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 are implemented, a Paying Agent in a Member State of the European Union that will not oblige such paying agent to withhold or deduct tax pursuant to the Directive on the taxation of savings (which may be an agent referred to in (ii) above). Any such variation, termination or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 days' prior notice thereof shall have been given to the Noteholders of this Series in accordance with Condition 11 and provided further that neither the resignation nor removal of the Agent shall take effect, except in the case of insolvency as aforesaid, until a new Agent has been appointed. In addition, if payments are due to be made In U.S. dollars in respect of the Notes the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in (i)(2) and (3) of the fourth paragraph of this Condition (being the paragraph starting "Notwithstanding the foregoing, payments due . . .").

Payments in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

6. Taxation

All payments of principal and/or interest by the Issuer in respect of the Notes, Receipts and Coupons of this Series shall be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatever nature imposed or levied by or on behalf of The Kingdom of Denmark, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction is required by law. In the event that the Issuer or any person acting on its behalf is required by law to make such withholding or deduction, the Issuer shall pay such additional amounts as will result (after such withholding or deduction) in the receipt by the holders of the Notes, Receipts or Coupons of this Series of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes, Receipts and Coupons; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon of this Series:

(i) presented for payment in Denmark; and/or

(ii) presented for payment by or on behalf of a person liable to such tax, duty or charge in respect of such Note, Receipt or Coupon by reason of his having some connection with The Kingdom of Denmark other than the mere holding or ownership of such Note, Receipt or Coupon; and/or

(iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts if it had presented such Note on expiry of such 30 days; and/or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementation or complying with, or introduced in order to conform to, such Directive or law; and/or

(v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

The "Relevant Date" in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been received by the Agent on or prior to such due date) the date on which notice is given to the Noteholders that such moneys have been so received.

Any reference in these Terms and Conditions to principal or interest or both in respect of the Notes shall be deemed to include (i) a reference to any additional amounts which may be payable under this Condition, (ii) in relation to Zero Coupon Notes, the Amortised Face Amount, (iii) in relation to Indexed Notes, the Redemption or Early Redemption Amount, (iv) in relation to Dual Currency Notes, the principal or interest in the relevant Specified Currency, (v) in relation to Notes redeemable in instalments, the Instalment Amount and (vi) any premium and any other amounts which may be payable under the Notes.

7. Repayment upon event of default

If any of the following events (hereinafter called an "Event of Default") shall occur and shall be continuing:

(a) *Non-Payment:* in the event of default by the Issuer in any payment of principal or interest on any Note when and as the same shall become due and payable and such default continues for a period of 14 days after written notice has been given by any Noteholder to the Issuer; or

(b) *Breach of Other Obligations:* in the event of default by the Issuer in the due performance of any other provision of the Notes, if such default is not cured within 30 days after receipt by the Fiscal Agent of written notice of default given by any Noteholder; or

(c) *Cross-Default:* in the event of default by the Issuer in the due and punctual payment of the principal of, or premium or prepayment charge (if any) or interest on, any loan indebtedness, in excess of U.S.$10,000,000 or its equivalent, of or assumed or guaranteed by the Issuer when and as the same shall become due and payable, if such default shall continue for more than the period of grace, if any, applicable thereto or three days, whichever is later, and the time for payment of such interest, principal, premium or prepayment charge has not been effectively extended, or such indebtedness shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default (however described) thereunder; or

(d) *Insolvency etc:* the Issuer makes a conveyance or assignment for the benefit of, or enters into composition or other arrangements with, its creditors generally, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, insolvency or other similar laws, is adjudicated bankrupt or insolvent, a receiver or similar official is appointed over the whole or any part of the assets or undertaking of the Issuer, proceedings shall be initiated with respect to the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or the Issuer is wound up, liquidated or dissolved, an encumbrancer takes possession of the whole or any substantial part of the assets or undertaking of the Issuer or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the assets of the Issuer and any such distress, execution or other process is not discharged within 60 days; or

(e) *Illegality:* it becomes unlawful for the Issuer to perform any of its obligations under the Notes or any of its obligations thereunder ceases to be valid and binding; or

(f) *Membership:* "Kommuner" and "amtskommuner" (or any similar local authorities under the laws of The Kingdom of Denmark) cease to be the only members of the Issuer, or the members of the Issuer cease to be jointly and severally liable for all its obligations including its borrowings; or

(g) *Changes in business:* the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations, or sells, transfers, lends or otherwise disposes of, directly or indirectly, all or a material part of its undertaking or assets otherwise than as a result of, or such sale, transfer, loan or other disposition is, a *bona fide* sale, transfer, loan or other disposition made for full value to a wholly-owned subsidiary of the Issuer,

then any Note may, by notice in writing given to the Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such Event of Default shall have been remedied prior to the receipt of such notice by the Agent.

8. Prescription

Claims for payment of principal in respect of the Notes shall be prescribed upon the expiry of ten years, and claims for payment of interest (if any) in respect of the Notes shall be prescribed upon the expiry of five years, in each case from the Relevant Date (as defined in Condition 6) thereof, subject to the provisions of Condition 5. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5.

9. Replacement of Notes, Receipts and Coupons

If any Note (including any global Note), Receipt or Coupon is mutilated, defaced, stolen, destroyed or lost, it may be replaced at the specified office of the Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

10. Meetings of Noteholders and Modification

The Agency Agreement contains provisions for convening meetings of the holders of the Notes of this Series to consider matters affecting their interests, including modifications by Extraordinary Resolution of the terms and conditions of such Notes. The quorum for any meeting convened to consider a resolution proposed as an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of such Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of such Notes for the time being outstanding so held or represented, except that at any meeting, the business of which includes, *inter alia*, (i) modification of the Maturity Date or, as the case may be, Redemption Month of such Notes or reduction or cancellation of the nominal amount payable upon maturity or otherwise, or variation of the method of calculating the amount of principal payable on maturity or otherwise, (ii) reduction of the amount payable or modification of the payment date in respect of any interest in respect of such Notes or variation of the method of calculating the rate of interest in respect of such Notes, (iii) reduction of any Minimum Interest Rate and/or Maximum Interest Rate, (iv) modification of the currency in which payments under such Notes and/or the Coupons appertaining thereto are to be made, (v) modification of the majority required to pass an Extraordinary Resolution or (vi) modification of the provisions of the Agency Agreement concerning this exception, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than a clear majority, of the nominal amount of such Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting will be binding on all such Noteholders (whether or not they are present at such meeting) and on all Receiptholders and Couponholders relating to such Notes.

The Agent may agree, without the consent of the holders of Notes, Receipts or Coupons of this Series, to any modification to any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on all such Noteholders, Receiptholders and Couponholders and, if the Agent so requires, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 11.

11. Notices

(a) All notices regarding Notes of this Series shall be published in one leading London daily newspaper (which is expected to be the *Financial Times*) and, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, in one leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if this is not practicable, one other English language daily newspaper with general circulation in Europe as the Issuer may decide. Any notice published as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of this Series in accordance with this Condition.

(b) Until such time as any definitive Notes are issued, there may, so long as all the global Notes for this Series are held in their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted, in relation only to this Series, for such publication as aforesaid, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes of this Series except that if the Notes are listed on the Luxembourg Stock Exchange notice will in any event be published in the *Luxemburger Wort* in accordance with paragraph (a) above. Any such notice shall be deemed to have been given to the holders of the Notes of this Series either (i) on the date of publication in the *Luxemburger Wort* (or such other newspaper as may be permitted by the Luxembourg Stock Exchange) or, if published more than once, on the date of the first such publication or (ii) (if the Notes of this Series are not listed on the Luxembourg Stock Exchange) on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(c) Notices or demands to be given or made by any holder of any Notes of this Series shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any Notes of this Series are represented by a global Note, such notice or demand may be given or made by a holder of any of the Notes so represented to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

12. Paying Agents

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligations or relationships of agency or trust to or with the Noteholders, Receiptholders or Couponholders, except (without affecting the obligations of the Issuer to the Noteholders. Receiptholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent for the payment of any sums due in respect of the Notes shall be held by it in trust for the Noteholders and/or Receiptholders and Couponholders until the expiration of the relevant period of prescription under Condition 8. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer and any of their Subsidiaries or associated companies without being liable to account to the Noteholders, Receiptholders or the Couponholders for any resulting profit. If the conclusions of the ECOFIN Council meeting of 26-27th November, 2000 are implemented, the Issuer will ensure that it maintains a paying agent in an European Union Member State that will not be obliged to deduct or withhold tax pursuant to any European Union Directive on the taxation of savings.

13. Further Issues

The Issuer may from time to time without the consent of the relevant Noteholders, Receiptholders or Couponholders create and issue further Notes, having terms and conditions the same as the Notes of any Series, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes of any Series.

14. Governing Law and Jurisdiction

(a) The Notes, the Receipts, the Coupons and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of England.

(b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Agency Agreement, the Notes, the Receipts or the Coupons (the "Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the exclusive benefit of each of the Noteholders, Receiptholders and Couponholders and shall not limit the right of any of them to take Proceedings in any Danish court of competent jurisdiction or to take steps anywhere relating to the conservation of assets or the enforcement or execution of a judgment in connection with Proceedings in England or The Kingdom of Denmark.

(c) The Issuer irrevocably appoints H.E. the Danish Ambassador to the Court of St. James's to accept service of any Proceedings in England on its behalf. The Issuer further irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with any Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in connection with any Proceedings.

15. Enforcement

A person who is not a Noteholder has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from such Act.

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be used for the general financing purposes of the Issuer.

KOMMUNEKREDIT

Introduction

The establishment of KommuneKredit was authorised under Danish Parliamentary Act No. 35 of 19th March, 1898. Pursuant to this Act, the Minister of the Interior approved the establishment of KommuneKredit as a credit association. Its purpose is to provide loans to Danish local authorities and to Danish semi-municipal institutions, which are fully guaranteed by local authorities. KommuneKredit borrows funds in its own name and then on-lends the funds for capital investment purposes.

The members of KommuneKredit comprise *kommuner* (municipalities) and *amtskommuner* (counties) which have loans outstanding from KommuneKredit or which have outstanding guarantees of loans made by KommuneKredit to semi-municipal institutions. *Kommuner* are the lowest tier of local authority in Denmark in geographic terms and encompass the whole country. *Amtskommuner* are the second tier and comprise the territory of a number of *kommuner*. At 31st December, 2001 the members of KommuneKredit comprised all *kommuner* and *amtskommuner*. The members of KommuneKredit thereby represent 100 per cent. of the Danish population.

The members of KommuneKredit are jointly and severally liable for all of KommuneKredit's obligations including its borrowings.

Danish Local Government

The Danish local authorities are legal entities constituted by Acts of Parliament. The most recent such Acts, being Act No. 225 of 3rd June, 1967 and Act No. 233 of 4th June, 1969, were passed in connection with a major territorial reorganisation in Denmark. In the course of reorganisation the number of local authorities was rationalised from approximately 1,400 to 275 *kommuner*, while the number of "amtskommuner" was reduced from 25 to 14. The reorganisation was effected with the aim of ensuring that local authorities had adequate financial strength to meet the cost of their duties towards the local population.

The main duties of the local authorities are set out in statutory provisions. The most important duties include the provision of social security, schools, hospitals, medical services, housing for the elderly and infrastructure projects. The planning of the provision and in many cases the supply of water, gas, electricity, district heating and sewage and refuse disposal is also usually a local authority responsibility. In addition, local authorities provide public facilities such as parks, playgrounds and sporting and cultural centres. The level of spending by local government amounts to approximately 17 per cent. of the total gross domestic product of Denmark.

Some services are subcontracted or are provided indirectly by local authorities. In the latter case the budgets for these services lie outside those of the local authorities and the services in question are often managed as semi-municipal institutions on a non-profit making basis. Local authorities may, within control of borrowing limits set by central government, guarantee capital investment loans raised by semi-municipal institutions. District heating, refuse incineration and water supply are examples of the services provided by semi-municipal institutions.

The cost of providing local authority services, including investments and debt service, must generally be met out of current revenues from local taxes, user fees from certain services provided and grants from central government. Local authorities are empowered to levy taxes on personal income and property and have an obligation to levy sufficient taxes to balance their annual budgets, taking into account other income such as fees for services and grants from central government. Furthermore an equalisation system has been established which enables local authorities with a lower income base to provide adequate services.

However, certain categories of capital investment by local authorities, both directly and through semi-municipal institutions, may be financed with borrowed funds. This borrowing is subject to the control of central government, the current rules being set out in Regulation No. 295 of 26th April, 2001 as amended. This Regulation restricts local authority borrowing to the funding of approved categories of capital expenditure and sets out requirements as to certain terms of the borrowings such as maximum maturities. The main types of capital expenditure which may at present be funded with borrowed funds are those for the purposes of the provision of power plants, water supply, the purchase of land, urban renewal, environmental improvement and housing for the elderly. Regulation No. 295 also allows local authorities to enter into foreign exchange, as well as currency and interest rate swap agreements within the general borrowing guidelines.

Local authorities deliver their audited accounts to central government thereby providing an opportunity for checking that capital expenditure funded by loans falls within permitted categories. In addition, the overall level of local authority expenditure for both capital and current purposes is set pursuant to informal guidelines agreed with central government, although no formal approval procedure exists.

KommuneKredit

Group Structure

KommuneKredit has one wholly owned subsidiary, "Kommune Leasing A/S".

Kommune Leasing A/S provides financial leasing services to *kommuner* and *amtskommuner* and semi-municipal institutions for which local authorities grant a 100 per cent. guarantee. The activities are financed through KommuneKredit. In 2001 Kommune Leasing entered into contracts for a total amount of DKK 669 million. The profit on the activities of Kommune Leasing for 2001 was DKK 7.3 million.

The contracts entered into by Kommune Leasing are primarily designed to finance operating equipment, first of all computer equipment (about 60 per cent.). Other contracts are for motor vehicles, technical acquisitions, hospital equipment and ferryboats.

Lending

KommuneKredit provides loan finance to local authorities and semi-municipal institutions guaranteed by local authorities in order to fund capital expenditure falling within Regulation No. 295. At 31st December, 2001 its total loan portfolio amounted to DKK 60.5 billion (U.S.$7.2 billion) of which DKK 29.7 billion (U.S.$3.5 billion) was lent to *kommuner*, DKK 3.7 billion (U.S.$0.4 billion) to *amtskommuner*, DKK 27.0 billion (U.S.$3.2 billion) to semi-municipal institutions and DKK 0.1 billion (U.S.$16.6 million) to local authorities in the Faroe Islands under central government guarantee.

The loans made available by KommuneKredit are unsecured and have maturities depending on the type of financing involved but ranging up to 50 years. Loans are either repaid by instalments or at the maturity of the loans. Interest is payable on the basis of fixed or floating rates, at the option of the relevant borrower. As KommuneKredit does not carry on business primarily in order to make a profit it does not charge a margin over its cost of funds but instead obtains contributions from its borrowers towards its administrative expenses.

The following table gives certain information with regard to KommuneKredit's activities during the five years ended 31st December, 2001:

Year ended/as of 31st December	New Lending	Outstanding Loans	Profit before tax	Equity
		(DKK millions)		
1997	13,296.7	47,994.4	290.7	2,798.3
1998	12,020.3	50,972.7	265.5	2,968.4
1999	10,442.7	54,720.2	(42.5)	2,948.4
2000	6,862.6	57,603.7	136.2	3,052.1
2001	12,736.7	60,483.3	150.2	3,156.8
		(U.S.$ millions)[1]		
2001	1,514.6	7,192.3	17.9	375.4

1 The DKK amounts have been translated into U.S.$ at the rate of U.S.$1=DKK 8.4095

KommuneKredit is the largest single lender to local authorities, accounting for some 65 per cent. of the loans of more than one year outstanding made to local authorities as at 31st December, 2001. KommuneKredit's level of lending depends on the capital expenditure requirements of its customers which may vary considerably from year to year and on competitive factors, the major source of competition being commercial banks.

KommuneKredit has never suffered a loss on any of its loans.

Funding

KommuneKredit's source of funding in Denmark consists of bonds issued in the Danish capital markets and listed on the Copenhagen Stock Exchange. A range of such issues will normally be available of which further tranches can be issued in order to supply funding which matches the requirements of KommuneKredit's customers. The various series of bonds cover a range of maturities and interest rates.

Since 1987 KommuneKredit has been allowed to fund itself abroad and over the last few years KommuneKredit has developed and strengthened its position in the international capital market.

In February 1990 an ECP-programme was established and the maximum outstanding amount was in August 1999 increased to U.S.$1 billion. In February 1993 the Euro Medium Term Note Programme was established. Since KommuneKredit's first appearance in the international capital market a number of MTN issues, private placements and bank loans have been effected.

KommuneKredit has obtained the same credit rating from Moody's Investors Services Limited and Standard & Poors as The Kingdom of Denmark i.e. KommuneKredit's long term ratings in both foreign currencies and DKK are Aaa/AAA and short term P-1/A-1+.

KommuneKredit does not assume any currency risk if the on-lending takes place in foreign currency; hence it is the borrower who takes the currency risk. If the borrower wishes to receive a currency other than the funding currency, KommuneKredit will use swaps to provide the borrower with the funds needed. KommuneKredit has strict guidelines as to which swap counterparties can be accepted.

In its funding operations KommuneKredit was until April 1992 subject to restrictions according to which funds borrowed in the international capital market had to be matched by corresponding on-lending to local authorities. KommuneKredit obtained in April 1992 the sanction of the Ministry of the Interior for borrowing without the requirement of simultaneous and matched on-lending to local authorities for a maximum amount of DKK 350 million. This amount has in April 1999 been increased to an amount of DKK 1.5 billion.

Lending in foreign currencies or from funding obtained outside Denmark represented some 40 per cent. of KommuneKredit's loan portfolio as of 31st December, 2001.

Organisation, Management and Audit

KommuneKredit is organised as an association whose members, the local authorities which have loans or guarantees outstanding to it, have joint and several liability for all of its obligations including borrowings. Members are not permitted to withdraw from the association while any loan made to, or guaranteed by, them remains outstanding.

The members elect a Board of Directors to determine general policy and to approve major decisions. The Board of Directors has ten members of whom two are elected by *amtskommuner* and eight by *kommuner*. The normal term of office for the directors is six years. The Board of Directors normally meets four times a year.

The following are members of the current Board of Directors:

Evan Jensen	Former Mayor	Lejre	Chairman
Kaj Petersen	Mayor	Sakskøbing	Deputy Chairman
Kristian Ebbensgaard	County Council Chairman	Roskilde	
Else Købstrup	Councillor	Hjørring	
Henrik Zimino	Mayor	Taarnby	
Hans Toft	Mayor	Gentofte	
Ejgil W. Rasmussen	Mayor	Gedved	
Vibeke Storm Rasmussen	County Council Chairman	Copenhagen	
Arne Toft	Former Mayor	Arden	
Henning G. Jensen	Mayor	Aalborg	

KommuneKredit's management is headed by two managing directors, both of whom are appointed by the Board of Directors and one of whom is also chief executive. The general management is authorised to take all decisions relating to daily business.

The following are senior members of management:

Søren Høgenhaven	Chief Executive and Managing Director
Johnny Munk	Managing Director
Kenneth Retbøll-Bauer	Chief Financial Officer
Frank Hammer Hansen	Director, Leasing

As at 31st December, 2001, KommuneKredit had 36 employees including the members of the management.

The Board of Directors appoints one or two auditors approved by the Ministry of the Interior, at least one of whom must be a state authorised public accountant. A further auditor is appointed by the Ministry of the Interior and is in particular responsible for checking that KommuneKredit operates within all relevant legal and regulatory constraints which include the requirement that quarterly summary management accounts be submitted to the Ministry of the Interior. The present auditors are Helge Homann and Søren Christiansen (state authorised public accountants) of KPMG C. Jespersen and Emil le Maire, Prefect, appointed by the Ministry of the Interior.

Capitalisation

The following table sets out the non-consolidated capitalisation of the Issuer as at 31st December, 2001[2][3]:

Long-term Debt	(DKK millions)	(U.S.$ millions)[1]
Public domestic bond issues:		
28th series 5.5% p.a. due 2014	34.0	4.0
35th series 4, 5, 6, 7, 9 & 10% p.a. due 2003	141.0	16.8
40th series 4, 5, 6, 7 & 9% p.a. due 2017	348.3	41.4
42nd series 4, 5 ,6, 8 & 10% p.a. due 2008	616.5	73.3
46th series 4, 5, 6, 7, 8, 9, & 10% p.a. due 2012	1,947.9	231.6
47th series 4, 5, 6, 8, & 9% p.a. due 2006	818.4	97.3
49th series 4, 6, & 8% p.a. due 2020	230.3	27.4
50th series 6, 7 & 8% p.a. due 2026	9.6	1.1
53rd series 4, 5 & 6% p.a. due 2019	1,817.3	216.1
54th series 4, 5 & 6% p.a. due 2029	973.4	115.8
55th series 4% p.a. due 2009	749.7	89.1
56th series 4% p.a. due 2012	99.8	11.9
57th series 4% p.a. due 2026	742.5	88.3
61st series 4% p.a. due 2001	0.0	0.0
62nd series 4% p.a. due 2002	2,849.5	338.8
63rd series 4% p.a. due 2004	647.9	77.0
65th series 4% p.a. due 2007	620.8	73.8
66th series 4% p.a. due 2007	222.0	26.4
67th series 4% p.a. due 2005	1,231.0	146.4
68th series 4% p.a. due 2005	267.2	31.8
69th series 4% p.a. due 2009	425.0	50.5
70th series 4, 6, 8% p.a. due 2006	154.9	18.4
73rd series 4, 5, 6, 7, 8 & 9% p.a. due 2016	1,304.5	155.1
81st series[2] 2.5% p.a. due 2011	6.4	0.8
82nd series[2] 2.5% p.a. due 2009	386.0	45.9
83rd series[2] 2.5% p.a. due 2026	791.0	94.1
84th series[2] 2.5% p.a. due 2011	407.4	48.4
85th series[2] 2.5% p.a. due 2044	1,008.4	119.9
87th series[2] 2.5% p.a. due 2029	474.9	56.5
88th series[2] 2.5% p.a. due 2014	2,467.5	293.4
89th series[2] 2.5% p.a. due 2026	105.2	12.5
90th series[2] 2.5% p.a. due 2017	3,533.7	420.2
91st series[2] 2.5% p.a. due 2047	2,043.4	243.0
92nd series[2] 2.5% p.a. due 2032	37.6	4.5
93rd series[2] 2.5% p.a. due 2002	0.0	0.0
94th series[2] 2.5% p.a. due 2012	417.7	49.7
95th series[2] 2.5% p.a. due 2006	7.3	0.9
96th series[2] 2.5% p.a. due 2015	3.5	0.4
97th series[2] 2.5% p.a. due 2050	2,108.0	250.7
98th series[2] 2.5% p.a. due 2020	953.0	113.3
99th series[2] 2.5% p.a. due 2018	89.1	10.6
101st series[2] 2.5% p.a. due 2018	148.1	17.6
102nd series[2] 2.5% p.a. due 2009	445.7	53.0
103rd series[2] 2.5% p.a. due 2054	301.2	35.8
104th series[2] 2.5% p.a. due 2022	19.1	2.3
200th series 4 & 5% p.a. due 2032	1,139.1	135.5
201st series 4 & 5% p.a. due 2012	351.1	41.8
202nd series 4, 5 & 6% p.a. due 2022	1,245.6	148.1
203rd series 5 & 6% p.a. due 2027	975.5	116.0
204th series 5% p.a. due 2026	64.1	7.6
300th series 4 & 5% p.a. due 2022	0.0	0.0
301st series 4% p.a. due 2024	115.0	13.7
302nd series 5% p.a. due 2002	0.0	0.0
303rd series 4% p.a. due 2003	1,029.3	122.4
Equity linked notes due 2006	886.9	105.5
	37,812.3	4,496.4

Foreign debt[3]	(DKK millions)	(U.S.$ millions)[1]
Public foreign bond issues	4,620.9	549.5
Private placements	2,672.0	317.7
Bank loans abroad	2,972.4	353.5
EMTN-Notes	13,537.2	1,609.8
ECP-Notes	4,553.3	541.4
	28,355.8	3,371.9
Net value of swaps including balance on swap amortisation accounts	(2,807.9)	(333.9)
Total debt	63,360.2	7,534.4
Reserves		
Equity as at 1st January, 2001	3,052.1	362.9
Profit for the year after tax	102.4	12.2
Value adjustment of land and buildings	2.3	0.3
Total reserves	3,156.8	375.4
Total Capitalisation	66,517.0	7,909.8

Notes:

(1) For the purpose of the above table, long-term debt exclude long-term debt due within one year.

(2) Index-linked bonds, the outstanding amounts shown here being inclusive of indexation adjustments.

(3) Foreign currency loans have been translated into DKK at the rates prevailing on 31st December, 2001 or the rates on drawdown date for loans in 2001.

(4) There has been no material change in the capitalisation of the Issuer since 31st December, 2001.

STATEMENT OF INCOME AND EXPENDITURE OF THE ISSUER FOR 2001[1]

	Group 2001	Group 2000	Parent 2001	Parent 2000
	(Amounts in DKK 1.000)			
Interest earned and similar earnings				
Interest on lending	2,432,825	2,285,918	2,502,125	2,344,747
Index-adjustment of debt instruments	509,423	493,772	509,423	493,772
Interest on liquid funds	99,445	120,539	98,274	119,630
Interest on bonds	137,881	137,878	130,406	130,385
Administrative contributions	13,527	12,732	13,828	12,968
	3,193,101	3,050,839	3,254,056	3,101,502
Interest paid and similar costs				
Interest paid on bonds quoted on the Copenhagen Stock Exchange	(1,379,725)	(1,437,155)	(1,379,725)	(1,437,155)
Index-adjustment of bonds in circulation	(509,439)	(493,744)	(509,439)	(493,744)
Interest paid on other funds including international funding	(1,197,013)	(1,016,934)	(1,197,013)	(1,016,934)
	(3,086,177)	(2,947,833)	(3,086,177)	(2,947,833)
Net interest earnings	106,924	103,006	167,879	153,669
Earnings on the lease of leasing assets	71,313	58,911	—	—
Profit of subsidiary	—	—	7,300	6,260
	178,237	161,917	175,179	159,929
Gains/losses on bonds and foreign currency, etc.				
Gains/losses on bonds	42,992	32,574	39,040	30,408
Exchange rate gains/losses	55	(138)	55	(138)
	43,047	32,436	39,095	30,270
Profit on financial items	221,284	194,353	214,274	190,199
Administrative expenses				
Staff costs	(21,744)	(20,368)	(21,642)	(20,266)
Other administrative expenses	(39,369)	(37,816)	(32,461)	(33,764)
Contribution to KommuneKredits Education Fund	(10,000)	—	(10,000)	—
Profit/loss before tax	150,171	136,169	150,171	136,169
Tax on the year's profit	(47,780)	(34,185)	(47,780)	(34,185)
Profit/loss for the year	102,391	101,984	102,391	101,984

Note:

(1) The accounting year of the Issuer is the calendar year. The financial statements are drawn up in accordance with regulations in force in Denmark.

The Notes form an integral part of these financial statements. They are contained in the 2001 Annual Report of the Issuer.

BALANCE SHEET OF THE ISSUER AS AT 31ST DECEMBER, 2001

	Group 2001	Group 2000	Parent 2001	Parent 2000
ASSETS	(Amounts in DKK 1,000)			
Lending				
Lending	60,483,269	57,603,703	60,483,269	57,603,703
Leasing assets	1,881,092	1,597,628	—	—
	62,364,361	59,201,331	60,483,269	57,603,703
Liquid funds	2,990,036	2,940,565	2,983,250	2,936,015
Amounts owed by subsidiary undertaking	—	—	1,761,682	1,477,685
Own portfolio of bonds, etc,	2,892,301	3,245,364	2,747,274	3,103,791
Shares in the Copenhagen Stock Exchange and the Danish Security Centre	392	392	392	392
Investment in subsidiary	—	—	154,712	147,412
Land and buildings	42,870	40,490	42,870	40,490
Other assets	175,185	739,292	33,900	651,328
Accrued interest receivable	401,498	493,987	399,135	491,579
Total assets	68,866,643	66,661,421	68,606,484	66,452,395

	Group 2001	Group 2000	Parent 2001	Parent 2000
LIABILITIES	(Amounts in DKK 1,000)			
Bonds issued, etc.				
Bonds quoted on the Copenhagen Stock Exchange	37,812,257	39,767,981	37,812,257	39,767,981
Other funding, including International funding	25,547,949	20,940,613	25,547,949	20,940,613
	63,360,206	60,708,594	63,360,206	60,708,594
Other liabilities	1,791,536	2,407,588	1,531,377	2,198,562
Accrued interest payable	331,165	316,637	331,165	316,637
Deferred tax	190,104	142,324	190,104	142,324
Corporate tax payable	—	—	—	—
Pension provision	36,802	34,219	36,802	34,219
	65,709,813	63,609,362	65,449,654	63,400,336
Equity	3,156,830	3,052,059	3,156,830	3,052,059
Total liabilities	68,866,643	66,661,421	68,606,484	66,452,395

The Notes form an integral part of these financial statements. They are contained in the 2001 Annual Report of the Issuer.

SUBSCRIPTION AND SALE

The Dealers have in a Programme Agreement dated 28th June 2002, as amended and restated from time to time, (the "Programme Agreement") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Programme Agreement the Issuer agreed to reimburse Lehman Brothers International Europe as arranger for certain of its expenses in connection with the establishment of the Programme and the issue of the Notes.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

Until 40 days after the commencement of the offering of any Notes, an offer or sale of such Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issue of Dual Currency Notes and Indexed Notes will be subject to such additional United States selling restrictions as the Issuer and the relevant Purchaser or Purchasers may agree, as indicated in the applicable Pricing Supplement. Each Dealer has agreed that it will offer, sell or deliver such Notes only in compliance with such additional United States selling restrictions.

Denmark

Each Dealer has represented and agreed that it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in Denmark by way of public offer, unless in compliance with the Danish Act no. 1072 of 20th December, 1995 on Trading in Securities as amended and Executive Orders issued thereunder.

United Kingdom

Each Dealer has represented and agreed that:

(i) it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date thereof, will not offer or sell to persons in the United Kingdom any Notes except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) in relation to any Notes which must be redeemed before the first anniversary of the date of their issue: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(iii) it is only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not apply to the Issuer; and

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

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and

(b) it has not issued and will not issue any invitation or advertisement relating to any Notes in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or as agent.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, in connection with their initial distribution, it has not offered or sold, and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall be made in the Republic of France only to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in Article L411-2 of the monetary and financial code (*Code monétaire et financier*) (as amended) (the *Code*) and *décret* no. 98–880 dated 1 October 1998.

Investors in the Republic of France may only participate in the issue of the Notes for their own account in accordance with the conditions set out in *décret* no. 98-880 dated October 1998. The Notes may only be issued, directly or indirectly, to the public in the Republic of France in accordance with articles L 411-1, L 411-2, L 412-1 and L 621-8 of the Code. Each Dealer acknowledges that where the issue of the Notes is effected as an exception to the rules relating to an *appel public a l'épargne* in the

Republic of France (public offer rules) by way of an offer to a restricted group of investors (as referred to above), such investors must, to the extent that the Notes are offered to 100 or more of such investors, provide certification as to their personal, professional or family relationship with a member of the management of the Issuer.

Germany

In connection with the initial placement of any Notes in Germany, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer and sell such Notes (i) unless otherwise provided in the relevant subscription agreement or the applicable Pricing Supplement in the case of an issue made on a syndicated basis, only for a purchase price per purchaser of at least EUR 40,000 (or the foreign currency equivalent) or such other amount as may be stipulated from time to time by applicable German law or (ii) as may otherwise be permitted in accordance with applicable German law.

The Netherlands

The Notes may not be offered or sold to any individuals or legal entities in the Netherlands other than to individuals or legal entities who or which trade in securities in the conduct of their profession or trade, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly invest or trade in securities.

General

Each Dealer has agreed that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Dealer shall have responsibility therefor.

GENERAL INFORMATION

1. Listing

In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange, the Articles of Association of the Issuer have already been, and the legal notice relating to the issue of the Notes is being, lodged with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*) where such documents may be examined and copies thereof may be obtained on request.

For the purpose of listing Notes on the Luxembourg Stock Exchange, this Information Memorandum has been registered by the Luxembourg Stock Exchange under no. 2394.

2. Material Change

There has been no significant or material adverse change in the financial or trading position or the prospects of the Issuer since 31st December, 2001.

3. Documents and Agreements

So long as any of the Notes remains outstanding, copies of the Articles of Association and financial statements of the Issuer in respect of the financial years ended 31st December, 2000 and 2001, all future published annual and interim financial statements of the Issuer for the period ending 30th June in each year and any supplements (including the Pricing Supplements) to the Information Memorandum and the documents incorporated herein by reference will be available for collection from, and copies of the Agency Agreement (incorporating the forms of the temporary global Note, permanent global Note and definitive Notes), the Programme Agreement and the Deed of Covenant will be available for inspection at, the principal office of the Listing Agent in Luxembourg.

4. Auditors

KPMG C. Jespersen, chartered accountants and Emil le Maire, Prefect, appointed by the Ministry of the Interior, have audited the accounts of the Issuer in accordance with the laws of Denmark for the financial years ended 31st December, 2000 and 31st December, 2001.

5. Authorisation

The Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 27th November, 1992 and 10th March, 1995. The increase of the Programme from U.S.$2,000,000,000 to U.S.$5,000,000,000 was authorised by resolution of the Board of Directors on 7th June, 2002.

6. Litigation

The Issuer is not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

7. Euroclear and Clearstream, Luxembourg

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The appropriate Common Codes for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the relevant Pricing Supplement.

8. Proposed European Directive on the Taxation of Savings

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

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