



AMERICAN INTERNATIONAL GROUP, INC.

(incorporated in the State of Delaware, the United States of America)

U.S.\$10,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this document (the "Programme"), American International Group, Inc. ("AIG" or the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may, from time to time, issue Euro Medium Term Notes, (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$10,000,000,000 (or the equivalent in other currencies), subject to increase in accordance with the terms of the Programme Agreement (as defined herein).

The Prospectus (as defined on page 5) constitutes a base prospectus for the purpose of Article 5.4 of the Prospectus Directive (2003/71/EC) (the "Prospectus Directive"). Application has been made to the Irish Financial Services Regulatory Authority (the "Financial Regulator"), as a competent authority under the Prospectus Directive, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange Limited ("Irish Stock Exchange") for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange. Approval by the Financial Regulator relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of the Prospectus Directive or which are to be offered to the public in any Member State of the European Economic Area. In relation to Notes admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange, the Prospectus is valid for a period of one year from the date hereof. Unlisted Notes and Notes admitted to trading on markets which are not regulated markets for the purposes of the Prospectus Directive may be issued pursuant to the Programme. The relevant Final Terms (as defined on page 10) in respect of the issue of any Notes will specify whether or not such Notes will be admitted to the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange (or any other stock exchange). References in the Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on a stock exchange's regulated market and have been listed on a stock exchange. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Prospectus Directive.

All Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note"). Interests in Temporary Global Notes will be exchangeable, in whole or in part, for interests in Permanent Global Notes or, if so stated in the relevant Final Terms, for definitive Notes, on or after the date falling 40 days after the later of the commencement of the offering and the relevant issue date upon certification as to non-U.S. beneficial ownership. Temporary Global Notes and Permanent Global Notes (each a "Global Note") and Registered Notes (as defined below) may (or in the case of Notes listed on the Irish Stock Exchange will) be deposited on the issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Registered Notes resold pursuant to Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act") may be deposited on the issue date with a custodian on behalf of the Depository Trust Company ("DTC"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Programme has been rated Aa2 by Moody's Investors Service, Inc. ("Moody's") and AA by Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. ("Standard & Poor's"). Series of Notes (as defined in "Summary of the Programme") issued under the Programme may be rated or unrated. Where a Series 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, reduction or withdrawal at any time by the assigning rating agency.

See the section entitled "Risk Factors" commencing on page 16 for a discussion of certain risks that should be considered prior to making an investment in the Notes. The applicable Final Terms to any Series of Notes may describe additional risks that should be considered.

Arrangers

Deutsche Bank

Deutsche Bank
ABN AMRO
Banca IMI
Barclays Capital
Calyon Corporate and Investment Bank
Credit Suisse
Goldman Sachs International
JPMorgan
Merrill Lynch International
Mizuho International plc
Nomura International
Scotia Capital
Standard Chartered Bank
TD Securities
UBS Investment Bank

Banque AIG, London Branch

Dealers

Banque AIG, London Branch
Banc of America Securities Limited
Bank of Montreal
BNP PARIBAS
Citigroup
Daiwa Securities SMBC Europe
HSBC
Lehman Brothers
Mitsubishi UFJ Securities International plc
Morgan Stanley
Santander Central Hispano
Société Générale Corporate & Investment Banking
RBC Capital Markets
The Royal Bank of Scotland
Wachovia Securities

The date of this Offering Circular is 24 March 2006.

The Issuer (whose name appears on page 9 and whose registered office is set out on page 55) confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

The Prospectus constitutes the base prospectus prepared pursuant to Article 5.4 of the Prospectus Directive for the purposes of seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange. For the avoidance of doubt, any website referred to in the Prospectus does not form part of the Prospectus nor are there any documents incorporated by reference into the Prospectus in its initial form dated 24 March 2006.

In contrast with the Prospectus, the Offering Circular (as defined on page 5) does not constitute a prospectus for the purposes of the Prospectus Directive.

Except where the context requires otherwise, references in this document to the Offering Circular should also be read as references to the Prospectus.

The Offering Circular should be read in conjunction with all documents that are or are deemed to be incorporated therein by reference. The Offering Circular shall be read and construed on the basis that the documents incorporated therein by reference are a part of the Offering Circular, but the documents listed below as being incorporated herein by reference do not constitute part of the Prospectus for the purpose of the listing application to the Irish Stock Exchange save for the document referred to in paragraph (b) of “— Offering Circular” below or to the extent they are appended thereto.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arrangers (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular or any Final Terms nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Final Terms come are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of this Offering Circular, any Final Terms and other information in relation to the Issuer and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, the United Kingdom, France, the Netherlands, Japan, Ireland, Italy and Spain. For a further description of restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular or any Final Terms, see “Subscription and Sale”.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and (in the case of Restricted Registered Notes) within the United States to “qualified institutional buyers” in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (“SEC”), any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Notes may include bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Offering Circular nor any Final Terms constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

The Arrangers and the Dealers have not separately verified the information contained in this Offering Circular. None of the Dealers or the Arrangers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arrangers or the Dealers that any recipient of this Offering Circular, any Final Terms or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in, or incorporated by reference in, this Offering Circular or any Final Terms and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

In connection with the issue of any Tranche (as defined in "Summary of the Programme") of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche of Notes to be listed on any stock exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "U.S. dollars", "U.S. \$" and "\$" are to United States dollars, and to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

The Issuer has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

CAUTIONARY STATEMENT REGARDING PROJECTIONS AND OTHER INFORMATION ABOUT FUTURE EVENTS

This Offering Circular may include or incorporate by reference projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to the Issuer's management, operations, products and services, and assumptions underlying these projections and statements. These projections and statements are not historical facts but instead represent only the Issuer's belief regarding future events, many of which, by their nature, are inherently uncertain and outside the Issuer's control. These projections and statements may address, among other things, the status and potential future outcome of the current regulatory and civil proceedings against the Issuer and their potential effect on

the Issuer's businesses, financial position, results of operations, cash flows and liquidity, the effect of the credit rating downgrades on the Issuer's businesses and competitive position, the unwinding and resolving of various relationships between the Issuer and C.V. Starr & Co., Inc. and Starr International Company, Inc., the Issuer's strategy for growth, product development, market position, financial results and reserves. It is possible that the Issuer's actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause the Issuer's actual results to differ, possibly materially, from those in the specific projections and statements are discussed under "Risk Factors" in this Offering Circular and throughout the documents incorporated by reference in this Offering Circular. The Issuer is not under any obligation (and expressly disclaims any such obligations) to update or alter any projection or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

AVAILABLE INFORMATION

The Issuer is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the SEC. Such reports and other information can be viewed, and copies can be obtained, at the Public Reference Room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, USA, at prescribed rates. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding SEC registrants, including the Issuer. Reports and other information concerning the Issuer can also be obtained at the offices of the New York Stock Exchange, 20 Broad Street, New York, NY 10005, USA, on which certain securities of the Issuer are listed.

PROSPECTUS AND OFFERING CIRCULAR

The Prospectus (as defined below) has been prepared for the purpose of seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange. The Offering Circular (as defined below) has been prepared for the purpose of the offering of Notes from time to time in accordance with applicable laws and regulations and as further described in "Subscription and Sale — Selling Restrictions". The Offering Circular may be circulated in accordance with such applicable laws and regulations without the Prospectus. Copies of the Prospectus may be obtained from the offices of the Irish Stock Exchange.

The distribution of the Prospectus, the Offering Circular and any Final Terms and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus, the Offering Circular, any Final Terms or any Notes come are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of the Prospectus or the Offering Circular or any Final Terms, see "Subscription and Sale — Selling Restrictions".

Prospectus

This document together with the documents appended to, or incorporated by reference into, it (the "Prospectus") constitutes the base prospectus prepared pursuant to Article 5.4 of the Prospectus Directive for the purposes of seeking admission of the Notes to trading on the regulated market of the Irish Stock Exchange. The documents appended to or incorporated by reference into the Prospectus in its initial form dated 24 March 2006 are each of those documents referred to in paragraphs (a) to (b) of "— Offering Circular" below. For the avoidance of doubt, any website referred to in the Prospectus does not form part of the Prospectus nor are there any documents incorporated by reference into the Prospectus in its initial form dated 24 March 2006 other than the document referred to in paragraph (b) of "— Offering Circular" below. In their scrutiny and approval of the Prospectus, the Financial Regulator has only reviewed the Prospectus for compliance with the requirements of the Prospectus Directive and has not reviewed any additional material that may be deemed to be incorporated within the Offering Circular.

Following the publication of the Prospectus, a supplement to the Prospectus approved by the Irish Stock Exchange and the Financial Regulator pursuant to Article 16 of the Prospectus Directive may be prepared. Statements contained in such a supplement (or in documents incorporated therein by reference) will, to the extent applicable and whether expressly, by implication or otherwise, be deemed to modify or supersede statements contained in the Prospectus. Any such statement contained in a supplement (or in the documents incorporated therein by reference) shall be deemed to constitute a part of the Prospectus.

Offering Circular

This document, excluding any appendices attached hereto but including those documents described below as being deemed incorporated in, and forming part of, this Offering Circular (which includes information which may be appended hereto) now and in the future, together constitute the offering circular (the "Offering Circular") in relation to the Programme. The Offering Circular may be considered an advertisement for the purposes of Article 15 of the Prospectus Directive in certain jurisdictions in the European Economic Area. The Offering Circular contains, or incorporates by reference, all information set forth in, appended to or incorporated by reference into the Prospectus. The Prospectus contains all of the information that is contained in the initial form of the Offering Circular dated 24 March 2006, as required by the Prospectus Directive.

In contrast with the Prospectus (as described above), the Offering Circular does not constitute a prospectus for the purposes of the Prospectus Directive.

This Offering Circular should be read and construed in conjunction with each relevant Final Terms, the most recently published audited annual financial statements, and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer including in particular the following documents filed with the SEC by the Issuer, which shall be deemed to be incorporated in, and to form part of, this Offering Circular (including information incorporated by reference within such documents) and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents:

- (a) Annual Report of the Issuer on Form 10-K for the year ended December 31, 2005.
- (b) Proxy Statement of the Issuer dated June 27, 2005.

Also incorporated by reference in this Offering Circular are all other documents filed by the Issuer with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Offering Circular and all supplements to this Offering Circular prepared by the Issuer from time to time and such documents and supplements shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document or supplement is inconsistent with such contents.

Copies of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this Offering Circular, will be available for inspection at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding. The above filings may be accessed on the website of the SEC at <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000005272&owner=include>.

Notwithstanding the fact that each of the documents listed above is incorporated by reference in its entirety into this Offering Circular, the following non-exhaustive cross-reference lists are included in order to enable investors to easily identify where the specific items of information listed appear in the relevant document incorporated by reference.

Annual Report of the Issuer on Form 10-K for the year ended December 31, 2005

Business	Starting on page 3
Risk Factors	Starting on page 14
Selected Financial Data	Page 24
Management's Discussion and Analysis of Financial Condition and Results of Operations	Starting on page 25
Financial statements and supplementary data:	Starting on page 69
— Consolidated Balance Sheet	Starting on page 72
— Consolidated Statement of Income	Page 74
— Consolidated Statement of Shareholders' Equity	Page 75
— Consolidated Statement of Cash Flows	Starting on page 76
— Consolidated Statement of Comprehensive Income	Page 78
— Notes to Financial Statements	Starting on page 79
Report of Independent Registered Public Accounting Firm	Starting on page 70

SUPPLEMENTARY OFFERING CIRCULAR AND SUPPLEMENTARY PROSPECTUS

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there arises or is noted a significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular which is capable of affecting the assessment of the Notes under the Programme, the Issuer shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to the Irish Stock Exchange such number of copies of such supplement hereto as the Irish Stock Exchange may reasonably request.

Any such supplement will comprise a supplementary prospectus (excluding all information incorporated by reference save to the extent they are appended thereto or may otherwise be so incorporated) supplementing the Prospectus which forms part of this Offering Circular, and a supplementary offering circular (including all information incorporated by reference) supplementing this Offering Circular.

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Issuer and Programme Summary

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular. Where a claim relating to the information contained in this Offering Circular is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular before the legal proceedings are initiated.

Issuer:

American International Group, Inc., a Delaware corporation incorporated on June 9, 1967, is a holding company, which through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities worldwide. AIG's primary activities include both general and life insurance operations. Other significant activities include retirement services, financial services, and asset management.

Description:

Euro Medium Term Note Programme.

Initial Programme Amount:

Up to U.S.\$10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time, subject to increase in accordance with the terms of the Programme Agreement.

Arrangers:

Deutsche Bank AG, London Branch and Banque AIG, London Branch.

Dealers:

Deutsche Bank AG, London Branch, Banque AIG, London Branch, ABN AMRO Bank N.V., Banc of America Securities Limited, Banca IMI S.p.A., Banco Santander Central Hispano, S.A., Bank of Montreal, Barclays Bank PLC, BNP Paribas, CALYON, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Daiwa Securities SMBC Europe Limited, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Lehman Brothers International (Europe), Merrill Lynch International, Mitsubishi UFJ Securities International plc, Mizuho International plc, Morgan Stanley & Co. International Limited, Nomura International plc, Royal Bank of Canada Europe Limited, Scotia Capital Inc., Société Générale, Standard Chartered Bank, The Royal Bank of Scotland plc, The Toronto-Dominion Bank, UBS Limited and Wachovia Securities International Limited. The Issuer may, from time to time, terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Programme Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Programme Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent:	The Bank of New York.
Listing Agent:	Dillon Eustace.
Method of Issue:	<p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the final terms (a "Final Terms") which must be read in conjunction with this Offering Circular.</p>
Issue Price:	<p>Notes may be issued at their nominal amount or at a discount ("Original Issue Discount Notes") or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.</p>
Form of Notes:	<p>The Notes may be issued in bearer form only ("Bearer Notes"), in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") or in registered form only ("Registered Notes"). All Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a Temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than 183 days and are being issued in compliance with the D Rules (as defined in "Selling Restrictions" below), otherwise such Tranche will be represented by a Permanent Global Note. Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Registered Notes".</p> <p>Registered Notes which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Registered Notes") may be represented by a Global Registered Note (an "Unrestricted Global Registered Note") deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. Registered Notes which are resold pursuant to Rule 144A ("Restricted Registered Notes") may be represented by a restricted Registered Note in global form (a "Restricted Global Registered Note") deposited with a custodian on behalf of DTC or with a common depositary for Euroclear and Clearstream, Luxembourg. In certain circumstances, upon certification as to compliance with applicable securities laws, Restricted Registered Notes may be exchanged for Unrestricted Registered Notes, and vice versa. Restricted</p>

Registered Notes will bear the transfer restriction legend described under “Subscription and Sale”.

Clearing Systems:

Clearstream, Luxembourg, Euroclear, DTC (in respect of Restricted Registered Notes only) and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Initial Delivery of Notes:

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Unrestricted Global Registered Note may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and the Restricted Global Registered Note representing Restricted Registered Notes may be deposited with a custodian for DTC or with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Irish Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Maturities:

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued with any maturity as specified in the relevant Final Terms.

Denomination:

Notes which may be listed on the Irish Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Economic Area may not (a) have a minimum denomination of less than €50,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Unless otherwise permitted by then current laws and regulations, (i) Notes (including Notes denominated in sterling) having a maturity of less than one year from their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue would, absent the following, otherwise constitute a contravention of Section 19 of the UK Financial Services and Markets Act 2000 (the “FSMA”), will have a minimum denomination of £100,000 (or its equivalent in other currencies) or be issued in other circumstances which do not constitute a contravention by

the Issuer of Section 19 of the FSMA and (ii) Bearer Notes with an initial maturity of 183 days or less will have a minimum denomination of U.S.\$500,000 (or its equivalent in other currencies).

Redenomination

In respect of any Tranche of Notes, if the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Notes may be redenominated into euro in accordance with Condition 17 (*Redenomination and Exchange*) if so specified in the relevant Final Terms.

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes:

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (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. or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin,

as indicated in the relevant Final Terms.

Zero Coupon Notes:

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

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 on such rates of exchange as may be specified in the relevant Final Terms.

Index Linked Notes:

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption:

The relevant Final Terms will specify the basis for calculating the redemption amounts payable.

Redemption by Instalments:

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Other Notes:	Conditions applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes, original issue discount Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.
Structured Notes:	The premium on, the interest on and/or the principal of structured Notes may be determined by reference to the price, value or performance of a currency, commodity, interest rate, security, index, basket of any of the aforementioned items, formula, or other factor relating to assets or property (in each case, a “reference asset”) and/or the creditworthiness of, or the performance of obligations by, or some other factor relating to, another entity or entities not affiliated with the Issuer, either directly or inversely. Amounts payable at maturity or upon redemption (whether at maturity or otherwise) under such structured Notes may be paid in cash and/or by delivery of the underlying securities, the securities constituting the underlying index or basket, or all or part of any other reference asset or other asset or property, as agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms).
Risk Factors:	There are certain risks associated with investing in the Notes: the risk that certain factors affecting the Issuer’s business could adversely affect the Issuer’s ability to meet its obligations under the Notes; particular risks involved in an investment in structured Notes due to the nature of these instruments; liquidity risk: the risk that the Notes may not have an established trading market when issued; and exchange rate risk: the risk that changes in the rate of exchange between the Specified Currency of particular Notes and the Noteholder’s Currency will affect the true return on the Notes. See “Risk Factors” for more details of issuer liquidity and exchange rate risks associated with investing in the Notes and for more details of the risks associated with investing in structured Notes.
Status of Notes:	The Notes will constitute unsubordinated and unsecured obligations of the Issuer, as described in “Terms and Conditions of the Notes — Status of Notes”.
Negative Pledge:	See “Terms and Conditions of the Notes — Negative Pledge”.
Cross Default:	None.
Rating:	The Programme has been rated Aa2 by Moody’s and AA by Standard & Poor’s.
	Where a Series 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

Early Redemption:	securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Withholding Tax:	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes — Redemption, Purchase and Options”.
Governing Law of the Notes, Programme Agreement and Fiscal and Paying Agency Agreement:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United States, subject to customary exceptions (including the ICMA Standard EU Exception), all as described in “Terms and Conditions of the Notes — Taxation”.
Listing:	The laws of the State of New York.
	Application has been made to list Notes issued under the Programme on the Irish Stock Exchange or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
	The Issuer may elect to apply for a delisting of the Notes from the section of the Irish Stock Exchange on which they are traded (or the Irish Stock Exchange altogether) if, <i>inter alia</i> , the European Union Transparency Obligations Directive is implemented in a manner which is unduly burdensome including, without limitation, because it would require the Issuer to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than U.S. generally accepted accounting principles. Although no final decision has been made, in the event such election is made, the Issuer will use all reasonable endeavours to seek a replacement listing on another section of the Irish Stock Exchange or another stock exchange (which may be outside the European Union), which is a member of the International Federation of Stock Exchanges and that is located in a state that is a member of the Organisation for Economic Cooperation and Development (“OECD”), provided that obtaining or maintaining a listing on such market of such stock exchange would not be unduly burdensome, including, without limitation, because it would require the Issuer to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than U.S. generally accepted accounting principles. In the event that no listing is obtained or maintained which satisfies the foregoing requirements, the Issuer will use all reasonable endeavours to obtain a replacement listing elsewhere. See paragraph 8 of “Listing and General Information” below.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, European Economic Area, the United Kingdom, France, Netherlands, Japan, Ireland, Italy and Spain. See “Subscription and Sale”.

In respect of the Notes, the Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

The Bearer Notes and the Exchangeable Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless the Bearer Notes are issued other than in compliance with the D Rules but generally in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. Bearer Notes with an initial maturity of one year or less may be subject to special rules, which rules will be described in the relevant Final Terms.

Further Issues:

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further Notes having the same terms and conditions in all respects (or in all respects except for the first payment of interest) as Notes within an existing Series (a “Further Tranche”) so as to form a single Series with the other Tranches of Notes within that Series.

Risk Factors

Risks Relating To The Issuer

The Issuer's Credit Ratings

The downgrades in the Issuer's credit ratings will increase the Issuer's borrowing costs, may lessen the Issuer's ability to compete in certain businesses and will require the Issuer to post additional collateral. From March through June of 2005, the major rating agencies downgraded the Issuer's ratings in a series of actions. Standard & Poor's lowered the long-term senior debt and counterparty ratings of the Issuer from 'AAA' to 'AA' and changed the rating outlook to negative. Moody's lowered the Issuer's long-term senior debt rating from 'Aaa' to 'Aa2' and changed the outlook to stable. Fitch Ratings ("Fitch") downgraded the long-term senior debt ratings of the Issuer from 'AAA' to 'AA' and placed the ratings on Rating Watch Negative.

The agencies also took rating actions on the Issuer's insurance subsidiaries. Standard & Poor's and Fitch lowered to 'AA+' the insurance financial strength ratings of most of the Issuer's insurance companies. Moody's lowered the insurance financial strength ratings generally to either 'Aa1' or 'Aa2'. A.M. Best downgraded the financial strength ratings for most of the Issuer's insurance subsidiaries from 'A++' to 'A+' and the issuer credit ratings from 'aa+' to 'aa-'. Many of these companies' ratings remain on a negative watch.

In addition, Standard & Poor's changed the outlook on the 'AA-' long-term senior debt rating of International Lease Finance Corporation (a wholly owned subsidiary of the Issuer) ("ILFC") to negative. Moody's affirmed ILFC's long-term and short-term senior debt ratings ('A1'/'P-1'). Fitch downgraded ILFC's long-term senior debt rating from 'AA-' to 'A+' and placed the rating on Rating Watch Negative and downgraded ILFC's short-term debt rating from 'F1+' to 'F1'. Fitch also placed the 'A+' long-term senior debt ratings of American General Finance Corporation and American General Finance, Inc. (wholly owned subsidiaries of the Issuer) on Rating Watch Negative. Standard & Poor's and Moody's affirmed the long-term and short-term senior debt ratings of American General Finance Corporation at 'A+'/'A-1' and 'A1'/'P-1', respectively.

These debt and financial strength ratings are current opinions of the rating agencies. As such, they may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at the request of the Issuer's management. This discussion of ratings is not a complete list of ratings of the Issuer and its subsidiaries.

These ratings actions have affected and will continue to affect the Issuer's business and results of operations in a number of ways.

- *Downgrades in the Issuer's debt ratings will adversely affect its results of operations.* The Issuer relies on external sources of financing to fund several of its operations. The cost and availability of unsecured financing are generally dependent on the Issuer's long-term and short-term debt ratings. These downgrades and any future downgrades in the Issuer's debt ratings may adversely affect the Issuer's borrowing costs and therefore adversely affect the Issuer's results of operations.
- *The downgrade in the Issuer's long-term senior debt ratings will adversely affect AIG Financial Products Corp.'s ability to compete for certain businesses.* Credit ratings are very important to the ability of financial institutions to compete in the derivative and structured transaction marketplaces. Historically, the Issuer's triple-A ratings provided AIG Financial Products Corp. (a wholly owned subsidiary of the Issuer) ("AIGFP") a competitive advantage. The downgrades have reduced this advantage and, for specialized financial transactions that generally are conducted only by triple-A rated financial institutions, counterparties may be unwilling to transact business with AIGFP except on a secured basis. This could require AIGFP to post more collateral to counterparties in the future. See below for a further discussion of the effect that posting collateral may have on the Issuer's liquidity.

- *Although the financial strength ratings of the Issuer's insurance company subsidiaries remain high compared to many of their competitors, the downgrades have reduced the previous ratings differential. The competitive advantage of the ratings to the Issuer's insurance company subsidiaries may be lessened accordingly.*
- *As a result of the downgrades of the Issuer's long-term senior debt ratings, the Issuer was required to post approximately \$1.16 billion of collateral with counterparties to municipal guaranteed investment contracts and financial derivatives transactions. In the event of a further downgrade, the Issuer will be required to post additional collateral. It is estimated that, as of the close of business on February 28, 2006 based on the Issuer's outstanding municipal guaranteed investment agreements and financial derivatives transactions as of such date, a further downgrade of the Issuer's long-term senior debt ratings to 'Aa3' by Moody's or 'AA-' by Standard & Poor's would permit counterparties to call for approximately \$962 million of additional collateral. Further, additional downgrades could result in requirements for substantial additional collateral, which could have a material effect on how the Issuer manages its liquidity. The actual amount of additional collateral that the Issuer would be required to post to counterparties in the event of such downgrades depends on market conditions, the market value of the outstanding affected transactions and other factors prevailing at the time of the downgrade. Any additional obligations to post collateral will increase the demand on the Issuer's liquidity.*

Regulatory Investigations

Significant legal proceedings have adversely affected the Issuer's results of operations for 2005. As a result of the settlements discussed under Item 3. Legal Proceedings in the Issuer's Annual Report on Form 10-K for the year ended December 31, 2005, the Issuer recorded an after-tax charge of approximately \$1.15 billion in the fourth quarter of 2005. The Issuer is party to numerous other legal proceedings and regulatory investigations. It is possible that the effect of the unresolved matters could be material to the Issuer's consolidated results of operations for an individual reporting period. For a discussion of these unresolved matters, see Item 3. Legal Proceedings in the Issuer's Annual Report on Form 10-K for the year ended December 31, 2005.

Significant investigations into the Issuer's business are continuing and the commencement of additional investigations is possible. Broad-ranging investigations into the Issuer's business practices continue. These investigations are being conducted by a number of regulators, and related actions by regulators both within and outside the United States may be undertaken in response. The review of large amounts of information by various regulatory authorities may result in the commencement of new areas of inquiry and, possibly, new significant legal proceedings.

The Relationships Between the Issuer and Starr and SICO

The relationships between the Issuer and C.V. Starr & Co. Inc. ("Starr") and Starr International Company, Inc. ("SICO") may take an extended period of time to unwind and/or resolve, and the consequences of such resolution are uncertain. Although the Issuer is currently working on unwinding and resolving its relationships with Starr and SICO, the Issuer cannot predict what its future relationship with Starr and SICO will be. The Issuer's subsidiaries are in the process of terminating their agency relationships with the Starr agencies and are beginning to write the business previously produced by those agencies on a direct basis. The Issuer also continues to address the issues posed by compensation plans and programs previously provided to the Issuer's executives by Starr and SICO, as the Issuer is providing compensation programs that recognize those plans and programs. In January 2006, Starr announced that it had completed its tender offers to purchase interests in Starr and that all eligible shareholders had tendered their shares. As a result of completion of the tender offers, none of the Issuer's executives currently hold any Starr interest. The Issuer has entered into agreements pursuant to which the Issuer agrees, subject to certain conditions, to assure the Issuer's current employees that all payments are made under a series of two-year Deferred Compensation Profit Participation Plans provided by SICO. Nevertheless, there can be no assurance that the Issuer will be able to effectively address the consequences for its executives of the unwinding of their participation in the

Starr and SICO plans and programs. Nor can there be any assurance that the Issuer will compete successfully for the business previously produced by the Starr agencies.

Finally, litigation between the Issuer and Starr and SICO remains pending, and the timing and terms of any resolution cannot currently be predicted. As a result of the foregoing, there can be no assurance that the ultimate resolution of the Issuer's relationships with Starr and SICO will not be adverse to the Issuer. For further information about litigation between the Issuer and Starr and SICO, see Item 3. Legal Proceedings in the Issuer's Annual Report on Form 10-K for the year ended December 31, 2005.

Certain Material Weaknesses

Management identified three remaining material weaknesses in the Issuer's internal control over financial reporting. Remediation of these material weaknesses is ongoing. Until these weaknesses are remediated, the weaknesses could affect the accuracy or timing of future filings with the SEC and other regulatory authorities. A discussion of these material weaknesses and the Issuer's remediation efforts can be found in Item 9A of Part II of the Issuer's Annual Report on Form 10-K for the year ended December 31, 2005.

Access to Capital Markets

The Issuer's access to the U.S. public capital markets may be delayed by the SEC registration process. Although the Issuer is able to access the Rule 144A and Euro markets, the Issuer will be unable to access the U.S. public securities markets until it has filed and the SEC has declared effective a new registration statement under the Securities Act. Depending upon the SEC's review of these filings, this process may take several months or more.

Unless relief is granted by the SEC, the Issuer will not be able to avail itself of certain favorable provisions of the Securities Act. The Issuer will not, for a period of three years, be a "well-known seasoned issuer". During this period, the Issuer's ability to communicate with respect to new product offerings and to structure client products will be more limited than they otherwise would. In addition, during this period, the Issuer will not be able to avail itself of provisions that allow for an automatically effective shelf registration statement or rely on the "forward-looking statements" safe harbor under the securities laws in providing forward-looking information to investors.

Foreign Operations

Foreign operations expose the Issuer to risks that may affect its operations, liquidity and financial conditions. The Issuer provides insurance and investment products and services to both businesses and individuals in more than 130 countries and jurisdictions. A substantial portion of the Issuer's General Insurance business and a majority of its Life Insurance & Retirement Services businesses are conducted outside the United States. Operations outside of the United States may be affected by regional economic downturns, political upheaval, nationalization and other restrictive government actions, which could also affect other operations of the Issuer.

The degree of regulation and supervision in foreign jurisdictions varies. Generally, the Issuer, as well as the underwriting companies operating in such jurisdictions, must satisfy local regulatory requirements. Licenses issued by foreign authorities to the Issuer's subsidiaries are subject to modification and revocation. Thus, the Issuer's insurance subsidiaries could be prevented from conducting future business in certain of the jurisdictions where they currently operate. The Issuer's international operations include operations in various developing nations. Both current and future foreign operations could be adversely affected by unfavorable political developments including tax changes, regulatory restrictions and nationalization of the Issuer's operations without compensation. Adverse affects resulting from any one country may affect the Issuer's results of operations, liquidity and financial condition depending on the magnitude of the event and the Issuer's net financial exposure at that time in that country.

Liquidity

Payments from subsidiaries may be limited by regulators. The Issuer depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund payments on the Issuer's obligations, including debt obligations, such as its obligations to make payments on the Notes. Regulatory and other legal restrictions may limit the Issuer's ability to transfer funds freely, either to or from the Issuer's subsidiaries. In particular, many of the Issuer's subsidiaries, including the Issuer's insurance subsidiaries, are subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfer altogether in certain circumstances. These laws and regulations may hinder the Issuer's ability to access funds that the Issuer may need to make payments on the Issuer's obligations, including the Notes.

Regulation

The Issuer is subject to extensive regulation in the jurisdictions in which it conducts its businesses. The Issuer's operations around the world are subject to regulation by different types of regulatory authorities, including insurance, securities, investment advisory, banking and thrift regulators in the United States and abroad. The Issuer's operations have become more diverse and consumer-oriented, increasing the scope of regulatory supervision and the possibility of intervention. In particular, the Issuer's consumer lending business is subject to a broad array of laws and regulations governing lending practices and permissible loan terms, and the Issuer would expect increased regulatory oversight relating to this business.

The regulatory environment could have a significant effect on the Issuer and its businesses. Among other things, the Issuer could be fined, prohibited from engaging in some of its business activities or subject to limitations or conditions on its business activities. Significant regulatory action against the Issuer could have material adverse financial effects, cause significant reputational harm, or harm business prospects. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to clients may also adversely affect the Issuer and its businesses.

Casualty Insurance Underwriting and Reserves

Casualty insurance liabilities are difficult to predict and may exceed the related reserves for losses and loss expenses. Although the Issuer annually reviews the adequacy of the established reserve for losses and loss expenses, there can be no assurance that the Issuer's ultimate loss reserves will not develop adversely and materially exceed the Issuer's current loss reserves. Estimation of ultimate net losses, loss expenses and loss reserves is a complex process for long-tail casualty lines of business, which include excess and umbrella liability, D&O, professional liability, medical malpractice, workers compensation, general liability, products liability and related classes, as well as for asbestos and environmental exposures. Generally, actual historical loss development factors are used to project future loss development. However, there can be no assurance that future loss development patterns will be the same as in the past. Moreover, any deviation in loss cost trends or in loss development factors might not be discernible for an extended period of time subsequent to the recording of the initial loss reserve estimates for any accident year. Thus, there is the potential for reserves with respect to a number of years to be significantly affected by changes in loss cost trends or loss development factors that were relied upon in setting the reserves. These changes in loss trends or loss development factors could be attributable to changes in inflation in labor and material costs or in the judicial environment, or in other social or economic phenomena affecting claims.

Natural Disasters and Pandemic Diseases

Natural disasters and pandemic disease could adversely affect the Issuer's operating results. Natural disasters such as hurricanes, earthquakes and other catastrophes have the potential to adversely affect the Issuer's operating results. Other risks, such as an outbreak of a pandemic disease, such as the Avian Influenza A Virus (H5N1), could adversely affect the Issuer's business and operating results to an extent that may be only minimally offset by reinsurance programs.

While to date outbreaks of the Avian Flu continue to occur among poultry or wild birds in a number of countries in Asia, parts of Europe, and recently in Africa, transmission to humans has been rare. If the virus mutates to a form that can be transmitted from human to human, it has the potential to spread rapidly worldwide. If such an outbreak were to take place, early quarantine and vaccination could be critical to containment.

Both the contagion and mortality rate of any mutated H5N1 virus that can be transmitted from human to human are highly speculative. The Issuer continues to monitor the developing facts. A significant global outbreak could have a material adverse effect on the Issuer's life insurance business operating results and liquidity from increased mortality and morbidity rates.

Risks Relating To The Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes issued under the Programme to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on the regulated market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any amendment to or change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or change in an official interpretation or application of such laws or regulations, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Credit Ratings

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Risks Relating To Structured Notes

The premium on, the interest on and/or the principal of a Series of Notes may be determined by reference to the price, value or performance of a currency, commodity, interest rate, security, index, basket of any of the aforementioned items, formula, or other factor relating to assets or property (in each case, a "reference asset") and/or the creditworthiness of, or the performance of obligations by, or some other factor relating to, another entity or entities not affiliated with the Issuer. These Notes are referred to as "structured Notes".

An Investment in Structured Notes Presents Significant Risks Not Associated with Other Types of Securities

An investment in structured Notes presents certain significant risks not associated with conventional debt securities, the principal risks of the latter being that the Issuer will be unable to meet its obligations under the Notes when due, the lack of an established trading market and exchange rate and exchange control risks. If the Issuer issues structured Notes, it will describe certain risks associated with any such particular structured Note more fully in the applicable Final Terms. Structured Notes may present a high level of risk, and a Noteholder may lose its entire investment if it purchases these types of securities.

The treatment of structured Notes for income tax purposes may be unclear due to the absence of any authority specifically addressing the issues presented by any particular structured Note. Accordingly, a Noteholder, or its tax adviser, should, in general, be capable of independently evaluating the income tax consequences of purchasing a structured Note applicable in its particular circumstances.

Holders of Structured Notes Could Lose Principal or Interest

The principal amount of a structured Note payable at maturity, the amount of interest payable on an interest payment date and the cash value or physical settlement value of a physically settled Note, will be determined by reference to one or more of the following:

- currencies, including baskets or indices of currencies;
- commodities, including baskets or indices of commodities;
- securities, including baskets or indices of securities; or
- any other index or financial measure, including the occurrence or non-occurrence of any event or circumstance.

The direction and magnitude of the change in the value of the relevant index will determine either or both the principal amount of a structured Note payable at maturity, the amount of interest payable on an interest payment date and the cash value or physical settlement value of a physically settled Note. The terms of a particular structured Note may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. Accordingly, if a Noteholder invests in a structured Note, it may lose all or a portion of the amount invested in such structured Note and may receive no interest on the Note.

Market Price of Structured Notes Influenced by Many Unpredictable Factors

Several factors, many of which are beyond the Issuer's control, will influence the value of structured Notes, including:

- the market price of the index stock or other reference asset;
- the volatility (frequency and magnitude of changes in price) of the reference asset;
- the dividend rate on the reference asset;
- economic, financial, political, regulatory or judicial events that affect markets generally and which may affect the market price of the reference asset;
- interest and yield rates in the market; and
- the time remaining until (a) a Noteholder can exchange a structured Note for the reference asset, (b) the Issuer can call the structured Notes and (c) the structured Notes mature.

These factors will influence the price that a Noteholder will receive if it sells its structured Notes prior to maturity. For example, a Noteholder may have to sell its structured Notes at a substantial discount from the issue price if the market price of the reference asset is at, below or not sufficiently above the price of the reference asset at pricing.

The Issuer of a Reference Asset Could Take Actions That May Adversely Affect a Structured Note

The issuer of a security that serves as the reference asset or as part of the reference asset for a structured Note will, unless otherwise provided in the applicable Final Terms, have no involvement in the offer and sale of the structured Note and no obligations to a Noteholder in the structured Note. The issuer of a security that serves as the reference asset or as part of the reference asset for a structured Note may take actions, such as a merger or sale of assets, without regard to the interests of the holders of the structured Notes. Any of these actions could adversely affect the value of a structured Note linked to the reference asset.

The issuer of a reference asset is not involved in the offering of the structured Notes in any way and has no obligation to consider the interest of a Noteholder in a structured Note in taking any corporate actions that might affect the value of the structured Notes.

A Structured Note May Be Linked to a Volatile Index, Which Could Hurt a Noteholder's Investment

Certain indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. The expected principal amount payable at maturity, the amount of interest payable on an interest payment date and the cash value or physical settlement value of a physically settled Note based on a volatile index may vary substantially from time to time. Because the amount payable on a structured Note is generally calculated based on the value of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the structured Notes may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these could adversely affect the value of a structured Note.

An Index to Which a Structured Note is Linked Could Be Changed or Become Unavailable

Certain indices reference several different currencies, commodities, securities or other financial instruments. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value of the index is calculated. Such an alteration may result in a decrease in the value of or return on a structured Note which is linked to such index.

An index may become unavailable due to such factors as war, natural disasters, cessation of publication of the index, or suspension of or disruption in trading in the currency or currencies, commodity or commodities, security or securities or other financial instrument or instruments comprising or underlying such index. If an index becomes unavailable, the determination of the amount payable on a structured Note may be delayed or an alternative method may be used to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that such alternative methods of valuation will produce values identical to those which would be produced were the relevant index to be used. An alternative method of valuation may result in a decrease in the value of or return on a structured Note.

Certain structured Notes are linked to indices that are not commonly utilized or have been recently developed. The lack of a trading history may make it difficult to anticipate the volatility or other risks to which such a Note is subject. In addition, there may be less trading in such indices or instruments underlying such indices, which could increase the volatility of such indices and decrease the value of or return on structured Notes relating to them.

A Holder of Structured Notes Has No Rights With Respect to the Reference Asset

As an owner of structured Notes, a Noteholder will not have voting rights or the right to receive dividends or other distributions or any other rights with respect to the reference asset.

The Issuer May Engage in Hedging Activities that Could Adversely Affect the Value of a Structured Note

In order to hedge an exposure on a particular structured Note, the Issuer may, directly or through its subsidiaries, enter into transactions involving the currencies, commodities, securities or other financial instruments that underlie the index for that Note, or derivative instruments, such as options, on those currencies, commodities, securities or other financial instruments. Transactions of this kind could affect the value of the structured Note in a manner adverse to Noteholders.

Holders of Structured Notes Have No Right to Any of the Issuer's Hedging Profits

The Issuer may engage in activities to hedge its exposure under a structured Note. It may have profits or losses from these hedging activities. It is possible that it could achieve substantial profits from its hedging transactions while the value of the structured Note may decline. Holders of a structured Note will have no right to any such profit.

Information About Indices May Not Be Indicative of Future Performance

If the Issuer issues a structured Note, it may include historical information about the relevant index in the applicable Final Terms. Any information about indices that may be provided will be furnished as a matter of information only, and Noteholders should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future. A Noteholder cannot predict the future performance of an index or a structured Note based on its historical performance.

The Issuer May Have Conflicts of Interest Regarding a Structured Note

One or more of the Issuer's affiliates may have conflicts of interest with respect to some structured Notes. These affiliates may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in structured Notes and in the currencies, commodities, securities, or other financial instruments on which an index is based or in other derivative instruments related to an index. These trading activities could adversely affect the value of structured Notes. The Issuer and its affiliates may also issue securities or derivative instruments that are linked to the same index as one or more structured Notes. By introducing competing products into the marketplace in this manner, the Issuer could adversely affect the value of a structured Note.

To the extent that one of the Issuer's affiliates calculates or compiles a particular index or serves as calculation agent with respect to a structured Note, it may have considerable discretion in performing the calculation or compilation. Exercising discretion in this manner could adversely affect the value of or the rate of return on a structured Note based on that index.

Liquidity Risks

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops. The secondary market for the Notes will be affected by a number of factors independent of the creditworthiness of the Issuer and the value of any applicable index or indices, which may include the complexity and volatility of such index or indices, the method of calculating the principal or any interest to be paid in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such Notes, the amount of other securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of the Notes.

In addition, certain Notes may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities. Noteholders may not be able to sell Notes readily or at prices that will enable Noteholders to realize their anticipated yield. No investor should purchase Notes unless such investor understands and is able

to bear the risk that certain Notes may not be readily saleable, that the value of Notes will fluctuate over time and that such fluctuations may be significant.

The prices at which Zero Coupon Notes, as well as other instruments issued at a substantial discount from their principal amount payable at maturity, trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than do such prices for conventional interest-bearing securities of comparable maturities.

Investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes.

Further, compliance with the EU Transparency Obligations Directive may be unduly burdensome for the Issuer and could result in the Issuer electing to terminate the listing of Notes on the Irish Stock Exchange. See paragraph 8 of "Listing and General Information" below.

Exchange Rate Risks and Exchange Controls

The principal of or any interest on Notes may be payable in, or determined by reference or indexed to, one or more Specified Currencies (including exchange rates and swap indices between currencies or currency units). For Noteholders whose financial activities are denominated principally in a currency or currency unit (the "Noteholder's Currency") other than the Specified Currency in which the related Notes are denominated, or where principal or interest in respect of Notes is payable by reference to the value of one or more Specified Currencies other than by reference solely to the Noteholder's Currency, an investment in such Notes entails significant risks that are not associated with a similar investment in a Note denominated and payable in such Noteholder's Currency.

Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the applicable Specified Currency and the Noteholder's Currency and the possibility of the imposition or modification of exchange controls by authorities with jurisdiction over such Specified Currency or the Noteholder's Currency. Such risks generally depend on a number of factors, including financial, economic and political events over which the Issuer has no control. In addition, if the formula used to determine the amount of principal or interest payable with respect to a Note contains a multiple or leverage factor, the effect of any change in the applicable Specified Currency, index or formula will be magnified.

The secondary market for the Notes will be affected by a number of factors independent of the creditworthiness of the Issuer and the value of the applicable Specified Currency, index or formula, including the volatility of such Specified Currency, index or formula, the method of calculating the principal amount or any interest to be paid in respect of such Notes, the time remaining to maturity of such Notes, the outstanding amount of such Notes, the amount of other securities linked to such Specified Currency, index or formula and the level, direction and volatility of relevant market interest rates generally. Such factors also will affect the market value of the Notes.

In recent years, rates of exchange have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

Appreciation in the value of the Noteholder's Currency relative to the value of the applicable Specified Currency would result in a decrease in the Noteholder's Currency-equivalent yield on a Note denominated or the principal or interest of which is payable in such Specified Currency, in the Noteholder's Currency-equivalent value of the principal of such Note payable at maturity and generally in the Noteholder's Currency-equivalent market value of such Note. Depreciation in the value of the Noteholder's Currency relative to the value of the applicable Specified Currency would have the opposite effect. In addition, depending on the specific terms of a Note denominated in, or the payment of which is determined by reference to the value of, one or more Specified Currencies (other than solely the Noteholder's Currency), indices (including exchange rates and swap indices between currencies or currency units) or formulas, changes in exchange rates relating to any of the currencies or currency units involved may result in a decrease in the effective yield on such Note

and, in certain circumstances, could result in a loss to the Noteholder of all or a substantial portion of the principal of such Note.

Government or monetary authorities have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of the Specified Currency in which a Note is payable at the time of payment of the principal or interest in respect of such Note.

Terms and Conditions of the Notes

The following is the text of the terms and conditions that, as supplemented, amended and/or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or (ii) these terms and conditions as so supplemented, amended or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on Bearer Notes or on the Registered Notes. The terms and conditions applicable to any Global Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions relating to the Notes while in Global Form". All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. These definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by American International Group, Inc. (the "Issuer") subject to a Fiscal and Paying Agency Agreement dated 7 October 2005 (as amended or supplemented as at the Issue Date, the "Agency Agreement") between the Issuer and The Bank of New York as fiscal agent and the other agents named in it, *inter alia*. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "Paying Agents" (which expression shall include the Fiscal Agent), the "Registrar", the "Transfer Agents" and the "Calculation Agent(s)". The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") and the holders of the receipts for the payment of instalments of principal (the "Receipts") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("Registered Notes") or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") in each case in the Specified Denomination(s) shown hereon.

All Registered Notes shall have the Specified Denomination as set out in the relevant Final Terms. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

Each Note will be a Fixed Rated Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or an Original Issue Discount Note, or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, “Noteholder” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “holder” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

- (a) *Exchange of Exchangeable Bearer Notes:* Except as provided in Condition 2(e), Exchangeable Bearer Notes may be exchanged for the same aggregate nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may be exchanged for Bearer Notes of any authorized Specified Denomination of the like tenor and aggregate nominal amount. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.
- (b) *Transfer of Registered Notes:* One or more Registered Notes may be transferred, subject to the limitations described under “Summary of Provisions relating to the Notes in Global Form” and subject to applicable law and transfer restrictions, upon surrender of such Registered Notes for registration of transfer at the specific office of the Registrar or any Transfer Agent, accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar duly executed by the holder of such Registered Notes or his attorney duly authorized in writing, and thereupon one or more new Registered Notes of the same series and of like tenor, of authorized denominations and for the same aggregate nominal amount, will be issued to the designated transferee or transferees. All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) *Registered Notes Redeemed in Part.* Any Registered Note which is to be redeemed only in part shall be surrendered to the Registrar or any Transfer Agent (with, if the Issuer so requires, a written instrument of transfer in form satisfactory to the Issuer duly executed by the holder thereof or his attorney duly authorized in writing), and the Issuer shall execute, and the Registrar shall authenticate and deliver to the holder of such Registered Notes without service charge, new Registered Notes of the same series and of like tenor, of any authorized denomination as requested by such holder, in aggregate nominal amount equal to and in exchange for the unredeemed portion of the Registered Notes so surrendered.
- (d) *Delivery of New Registered Notes:* Each new Registered Note to be issued pursuant to Condition 2(a), or (b) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Registered Note for exchange. Authentication and Delivery of the new Registered Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Registered Note shall have been made. In this Condition (c), “business day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) *Exchange Free of Charge:* Exchange and transfer of Notes on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer,

the Registrar or the Transfer Agents, but upon payment by the relevant Noteholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Registered Note(s) is simultaneously surrendered not later than the relevant Record Date.

3. Negative Pledge

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, so long as any Notes of a particular Tranche remain outstanding, the Issuer will not, and will not permit any Designated Subsidiary to, directly or indirectly, create, issue, assume, incur or guarantee any indebtedness for money borrowed which is secured by a mortgage, pledge, lien, security interest or other encumbrance of any nature on any of the present or future Voting Stock of a Designated Subsidiary unless the relevant Tranche of Notes and, if the Issuer so elects, any other indebtedness of the Issuer ranking at least pari passu with the relevant Tranche of Notes, shall be secured equally and ratably with (or prior to) such other secured indebtedness for money borrowed so long as it is outstanding.

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

“Designated Subsidiary” shall mean any Subsidiary of the Issuer the assets of which, determined as of the last day of the most recent calendar quarter ended at least 30 days prior to the date of such determination and in accordance with U.S. GAAP as in effect on the last day of such calendar quarter, exceed 20% of the Consolidated Assets of the Issuer.

“Consolidated Assets of the Issuer” shall mean the assets of the Issuer and its consolidated Subsidiaries, to be determined as of the last day of the most recent calendar quarter ended at least 30 days prior to the date of such determination and in accordance with U.S. GAAP as in effect on the last day of such calendar quarter.

“Subsidiary” shall mean any corporation, partnership or other entity more than 50% of the outstanding Voting Stock of which is owned, directly or indirectly, by the Issuer or by one or more other Subsidiaries, or by the Issuer and one or more other Subsidiaries.

“Voting Stock” shall mean stock or other interests evidencing ownership in a corporation, partnership or other entity which ordinarily has voting power for the election of directors, or other persons performing equivalent functions, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

4. Status

Status of Notes: The Notes and the Receipts and Coupons constitute direct, general, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future. The Notes and the Receipts and Coupons will not be secured by any of the property or assets of the Issuer or any of its Subsidiaries. Thus, by owning a Note, Noteholders are one of the Issuer’s unsecured creditors. There is no limit on the Issuer’s ability to incur additional secured or unsecured indebtedness.

5. Interest and other Calculations

(a) *Interest on Fixed Rate Notes:* Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable or each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes:*

- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (X) such date shall be brought forward to the immediately preceding Business Day and (Y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.
 - (A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

 - (x) the Floating Rate Option is as specified hereon;
 - (y) the Designated Maturity is a period specified hereon; and
 - (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

- (i) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
- (ii) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date.

(y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(i) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(ii) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;

(z) if paragraph (y) above applies, the Relevant Currency is not euro and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro in the Euro-zone as selected by the Calculation Agent (the “Principal Financial Centre”) are quoting at or about the Specified Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (i) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (ii) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.
- (c) *Zero Coupon Notes:* Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(b) (i)).
- (d) *Dual Currency Notes:* In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.
- (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 hereon.
- (f) *Accrual of Interest:* Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgement) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:*
 - (i) if any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph;
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be; and
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (h) *Calculations:* The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (i) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:* As soon as practicable after the Relevant Time on such date as the Calculation Agent may be required to

calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Definitions:* In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

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

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

- (i) if “Actual/365” or “Actual/Actual (ISDA)” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;

- (iii) if “Actual/365 (Sterling)” is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation 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 Calculation Period is the 31st day of a month but the first day of the Calculation 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 Calculation 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));
- (vi) “30E/360” or “Eurobond Basis” is specified hereon, the number of days in the Calculation 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 Calculation Period unless, in the case of a Calculation 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); and
- (vii) if “Actual/Actual (ICMA)” is specified hereon,
 - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“Determination Period” means the period from (and including) a Determination Date in any year to (but excluding) the next Determination Date.

“Determination Date” means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

“DTC Business Day” means any day on which DTC is open for business.

“Effective Date” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

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

“Interest Amount” means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be.

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

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

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

“Interest Period Date” means each Interest Payment Date unless otherwise specified hereon.

“ISDA Definitions” means the ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

“Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (“Reuters”) and Telerate (“Telerate”)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

“Reference Banks” means the institutions specified as such hereon or, if none, four (or, if the Relevant Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, in the case of EURIBOR shall be Europe or, if none is so connected, London).

“Relevant Financial Centre” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which in the case of EURIBOR shall be Europe or, if none is so connected, London).

“Relevant Rate” means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose “local time” means with respect to Europe and the Euro-zone as a Relevant Financial Centre 11.00 hours (Central European Time).

“Representative Amount” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

“Specified Currency” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

“Specified Duration” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii).

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

(k) *Calculation Agent and Reference Banks:* The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer’s or Noteholder’s option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer’s or Noteholder’s option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption*

- (i) Zero Coupon Notes:
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in

Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) Other Notes: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons:

- (i) The Notes may be redeemed on any Interest Payment Date or, if so specified on this Note or in the case of Zero Coupon Notes, at any time, in whole but not in part, at the option of the Issuer, (1) upon not more than 60 nor less than 30 days' prior notice or (2) upon such shorter notice as is practicable if the notice described in (1) would expire after the next date on which a payment is due on the Notes, such notice given in accordance with Condition 15 below (which notice shall be irrevocable), at their Redemption Amount together with, unless otherwise specified hereon, any interest accrued to the date set for redemption, if, as a result of any amendment to, or change in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws or regulations, which amendment or change became effective after the Issue Date, the Issuer would be obliged to pay Additional Amounts (as defined in Condition 8) on the next date on which a payment is due in respect of the Notes, and such obligation cannot be avoided by the use of reasonable measures available to the Issuer, not including assignment of the Notes; provided however that (1) no such notice of redemption may 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 then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate 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.
- (ii) In addition, if the Issuer determines, based upon a written opinion of reputable independent legal advisers, that any payment made outside the United States by the Issuer or any Paying Agent of the full amount of any payment due with respect to any Bearer Notes, Coupons or Receipts relating to

Bearer Notes would, under any present or future laws or regulation of the United States be subject to any certification, identification or other information reporting requirement of any kind, the effect of which requirement is the disclosure to the Issuer, any Paying Agent or any government authority of the nationality, residence or identity of a beneficial owner of such Bearer Note, Receipt or Coupon who is a United States Alien (as defined in Condition 8) other than such a requirement (a) which would not be applicable to a payment made by the Issuer or any Paying Agent (i) directly to the beneficial owner or (ii) to any custodian, nominee or other agent of the beneficial owner, or (b) which can be satisfied by such custodian, nominee or other agent certifying that the beneficial owner is a United States Alien (provided that in each case referred to in (a)(ii) and (b), payment by such custodian, nominee or other agent to such beneficial owner is not otherwise subject to any such requirement), the Issuer at its election will either (x) redeem the Notes, in whole but not in part, upon not more than 60 nor less than 30 days' prior notice, or upon such shorter notice as is practicable if such prior notice would expire after the next date on which a payment is due on the Notes, given in accordance with Condition 15 below, at their Redemption Amount together with, unless specified otherwise hereon, any interest accrued to the date set for redemption, less any applicable United States withholding tax or (y) if and so long as the conditions of the introductory paragraph of Condition 8 below are satisfied, pay the Additional Amounts specified in such paragraph. The Issuer will make such determination and election and notify the Fiscal Agent thereof as soon as practicable, and the Fiscal Agent will promptly give notice of such determination in accordance with Condition 15 below (the "Determination Notice") in each case stating the effective date of such certification, identification or information reporting requirement, whether the Issuer will redeem the Notes or will pay the Additional Amounts specified in such paragraph and (if applicable) the last date by which the redemption of the Notes must take place. If the Issuer elects to redeem the Notes, such redemption shall take place on such date, not later than one year after publication of the Determination Notice, as the Issuer elects by notice to the Fiscal Agent at least 75 days before such date, unless shorter notice is acceptable to the Fiscal Agent. Notwithstanding the foregoing, the Issuer will not so redeem the Bearer Notes if the Issuer, based upon an opinion of reputable independent legal advisers, subsequently determines, not less than 30 days prior to the date fixed for redemption, that subsequent payments would not be subject to any such requirement, in which case the Issuer will notify the Fiscal Agent, which will promptly give notice of that determination in accordance with Condition 15 below and any earlier redemption notice will thereupon be revoked and be of no further effect. If the Issuer elects as provided in (y) above to pay Additional Amounts, and as long as the Issuer is obliged to pay such Additional Amounts, the Issuer may subsequently redeem the Notes, at any time, in whole but not in part, upon not more than 60 nor less than 30 days' prior notice or upon such shorter notice as is practicable if such prior notice would expire after the next date on which a payment is due on the Notes, given in accordance with Condition 15 below, at their Redemption Amount together with, unless specified otherwise hereon, any interest accrued to the date set for redemption, but without reduction for applicable United States withholding taxes resulting from the fact that a beneficial owner that is a United States Alien did not disclose its nationality, residence or identity to the Issuer, any Paying Agent or any government authority.

(d) *Redemption at the Option of the Issuer and Exercise of Issuer's Options:* If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, or exercise any Issuer's option (as may be described hereon) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified hereon and no greater than the maximum nominal amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also, in the case of Bearer Notes, contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Irish Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Ireland a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) *Redemption at the Option of Noteholders and Exercise of Noteholders' Options:* If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out hereon (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) *Partly Paid Notes:* Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) *Purchases:* The Issuer may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Except as may be specified in any Final Terms, such Notes may be held, resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation, in accordance with all relevant laws and regulations.

(h) *Cancellation:* All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries which are surrendered for cancellation shall, in the case of Bearer Notes, be surrendered together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, such Notes shall be surrendered to the Registrar and, in each case shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) *Bearer Notes:* Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes*

- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include Final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Registered Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than Final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof, subject to clause (iv) below (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency, maintained by the payee with a Bank.
- (iii) Registered Notes, if so specified on them, may be issued in the form of one or more Restricted Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Restricted Registered Notes denominated in U.S. Dollars will be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Restricted Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by the Fiscal Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Fiscal Agent or its agent to DTC with respect to Restricted Registered Notes held by DTC or its nominee will be received from the Issuer by the Fiscal Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC Business Day after the Record Date for the relevant payment of interest and, in the case of principal payments, at least 12 DTC Business Days prior to the relevant payment date of principal, to receive that payment in such Specified Currency. The Fiscal Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. Dollars, will deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.
- (iv) Payments of principal and interest in respect of Restricted Registered Notes will be made or procured to be made by the Fiscal Agent to the person shown on the Register at the close of Business on the fifteenth DTC Business Day before the due date for payment thereof, which shall be deemed a "Record Date".

(c) *Payments in the United States:* Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) 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 of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (d) *Payments Subject to Fiscal Laws:* All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Appointment of Agents:* The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agent and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities (including Dublin) so long as the Notes are listed on the Irish Stock Exchange, (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state (if any) that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars only in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) *Unmatured Coupons and Receipts and unexchanged Talons*
 - (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer 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.
 - (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all

unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Registered Note representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note representing it, as the case may be.
- (g) *Talons:* On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) *Non-Business Days:* If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as Financial Centres hereon and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

If the holder of any Note is a United States Alien (as defined below), except as provided hereon, the Issuer will pay such holder such additional amounts (“Additional Amounts”) as may be necessary in order that every net Payment of the amount due in respect of such Note, Receipt or Coupon after deduction or withholding for or on account of any present or future tax, assessment or governmental charge imposed upon or as a result of such payment by the United States or any political subdivision or taxing authority thereof or therein, will not be less than the amount provided for in such Note, Receipt or Coupon to be then due and payable; provided however that the foregoing obligation to pay Additional Amounts will not apply to any one or more of the following:

- (1) any tax, assessment or other governmental charge which would not have been so imposed but for
 - (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor, shareholder, beneficiary or member of such holder, if such holder is an estate, a trust, a corporation or a partnership) and the United States, including, without limitation, such holder (or such fiduciary, settlor, shareholder, beneficiary or member) being or having been a citizen or resident or treated as a resident thereof, or being or having been engaged in trade or business or present therein, or having or having had a permanent establishment therein, or (ii) such holder’s present or former status as a personal holding company, a foreign personal holding company, or a controlled foreign corporation for United States tax purposes or a corporation which accumulates earnings to avoid United States federal income tax;
- (2) any tax, assessment or other governmental charge imposed by reason of such holder’s past or present status as the actual or constructive owner of 10 per cent or more of the total combined voting power of all classes of stock of the Issuer entitled to vote;

- (3) any tax, assessment or other governmental charge which would not have been imposed but for the failure of such holder to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of such Note or any Coupon appertaining thereto or Receipt, if compliance is required by statute or by regulation of the United States Treasury Department as a precondition to exemption from such tax, assessment or other governmental charge;
- (4) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge;
- (5) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal, or interest, on such Note, Receipt or Coupon;
- (6) any tax, assessment or other governmental charge imposed on interest received by a person described in Section 871(h)(3)(B) of the Internal Revenue Code of 1986, as amended (or any successor provision thereto);
- (7) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by the holder of such Note, Receipt or Coupon for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (8) any tax, assessment or other governmental charge required to be withheld by any Paying Agent from a payment on a Note, Receipt or Coupon if such payment can be made without such withholding by any other Paying Agent; or
- (9) any tax, assessment or other governmental charge imposed on a payment to an individual and required to be made pursuant to European Council Directive 2003/48/EC on taxation of savings income in the form of interest payments or any European Union Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.
- (10) any combination of items (1), (2), (3), (4), (5), (6) (7), (8) and (9),

The term “United States Alien” means any beneficial owner of a Note who or which, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, or a foreign estate or trust, in either case not subject to United States federal income tax on a net income basis on income or gain from a Note or Coupon, and all of whose beneficiaries are United State Aliens; and the term “United States” means the United States of America (including the States thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction. An individual present in the United States for 183 or more days in the taxable year in which such individual disposes of his or her Note is not a United States Alien.

Notwithstanding the foregoing, if and so long as a certification, identification or other information reporting requirement referred to in Condition 6(c)(ii) would be fully satisfied by payment of a withholding tax, “backup” withholding tax or similar charge, the Issuer may elect, by so stating in the Determination Notice, to have the provisions of this paragraph apply in lieu of the provisions of such paragraph. In such event, the issuer will pay as Additional Amounts such amounts as may be necessary so that every net payment made following the effective date of such requirements outside the United States by the Issuer or any of the Paying Agents of amounts due in respect of any Bearer Note, Receipt or Coupon relating to a Bearer Note of which the beneficial owner is a United States Alien (but without any requirement that the nationality, residence or identity of such beneficial owner be disclosed to the Issuer, any Paying Agent or any governmental authority), after deduction or withholding for or on account of such withholding tax, “backup” withholding tax or similar charge (other than a withholding tax, “backup” withholding tax or similar charge which is (i) the result of a certification, identification or information reporting requirement described in the second parenthetical clause of such paragraph, or (ii) imposed as a result of the fact that the Issuer or any Paying Agent has actual knowledge that the beneficial owner of such Note, Receipt or

Coupon relating to a Bearer Note is within the category of persons described in paragraph (1) above or (iii) imposed as a result of presentation of such Bearer Note, Receipt or Coupon relating to a Bearer Note for payment more than 15 days after the date on which such payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later) will not be less than the amount provided for in such Bearer Note, Receipt or Coupon relating to a Bearer Note to be then due and payable.

As used in these Conditions, “Relevant Date” in respect of any Note, Receipt or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Noteholders in accordance with Condition 15 that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) “interest” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) “principal” and/or “interest” shall be deemed to include any Additional Amounts which may be payable under this Condition 8.

9. Prescription

To the extent permitted by law, claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

- (a) *Definition:* “Events of Default” wherever used herein with respect to Notes of any Series, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):
 - (i) *Non-Payment:* default in the payment of any interest upon any Note of that Series when it becomes due and payable, and continuance of such default for a period of 30 days; or default in the payment of the principal of or any premium on any Note of that Series at its Maturity Date, and continuance of such default for a period of five days; or
 - (ii) *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations in the Notes (other than an obligation a default in whose performance or whose breach is elsewhere in these Conditions specifically dealt with or which has expressly been included in these Conditions solely for the benefit of a Series of Notes other than that Series) which default is incapable of remedy or is not remedied within 60 days after a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” hereunder shall have been given to the Issuer at its specified office by registered or certified mail by any Noteholder; or
 - (iii) *Court Order:* the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Issuer bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of any substantial part of its property, or

ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

- (iv) *Commencement of Proceedings:* the commencement by the Issuer of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer in furtherance of any such action; or
- (v) any other Event of Default provided with respect to Notes of that Series.

(b) *Acceleration of Maturity; Rescission and Annulment:* If an Event of Default with respect to Notes of any Series at the time outstanding occurs and is continuing, then in every such case the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note of that Series (or, if any such Note is an Original Issue Discount Note, such portion of the principal amount of such Note as may be specified by the terms thereof) to be due and payable immediately, and upon any such notice such principal amount (or specified amount) shall become immediately due and payable unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

(c) *Waiver of Past Defaults:* Noteholders together holding a majority (in nominal amount) of the outstanding Notes of any Series may on behalf of the Noteholders of all the Notes of such Series waive any past default hereunder with respect to such Series and its consequences, except a default in the payment of the principal of or any premium or interest on any Note of such Series. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of these Conditions; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon. No such rescission shall affect any subsequent default or impair any right consequent thereon.

(d) *Waiver of Usury, Stay or Extension Laws:* The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of these Conditions; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Noteholders but will suffer and permit the execution of every such power as though no such law had been enacted.

11. Consolidation, Merger, Conveyance, Transfer or Lease

Issuer May Consolidate, Etc., Only on Certain Terms: The Issuer shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

- (i) in case the Issuer shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or

transfer, or which leases, the properties and assets of the Issuer substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of and any premium and interest on all the Notes and the performance or observance of every covenant of these Conditions on the part of the Issuer to be performed or observed;

- (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and
- (iii) the Issuer has delivered to the Fiscal Agent an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or complies with this Condition and that all conditions precedent herein provided for relating to such transaction have been complied with.

As used in these Conditions "Person" means any individual, corporation, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

Upon any consolidation of the Issuer with, or merger of the Issuer into, any other Person or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety in accordance with this Condition, the successor Person formed by such consolidation or into which the Issuer is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions with the same effect as if such successor Person had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under these Conditions and the Notes.

12. Meetings of Noteholders and Modifications

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter requiring the approval of all or the majority of the Noteholders under this Condition 12.
- (b) *Modifications Requiring Approval of All Noteholders:* Without the sanction of an Extraordinary Resolution (as defined in the Agency Agreement), the Issuer may not (i) change the stated maturity of the principal of, or any instalment of principal of or interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Note or any other Note which would be due and payable upon a declaration of acceleration of the Maturity Date thereof pursuant to Condition 10(b), or change any place of payment where, or the coin or currency in which, any Note or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or (ii) reduce the percentage in principal amount of the outstanding Notes of any Series, the consent of whose holders is required for any such proposed change, or the consent of whose holders is required for any waiver (of compliance with certain provisions of these Conditions or certain defaults hereunder and their consequences) provided for in these Conditions; or (iii) modify any of the provisions of this paragraph (b) or Condition 10(c) except to increase any such percentage or to provide that certain other provisions of these Conditions cannot be modified or waived without the sanction of an Extraordinary Resolution.
- (c) *Modifications Requiring Approval of a Majority of Noteholders:* Subject always to Condition 12(d), without the sanction of an Ordinary Resolution (as defined in the Agency Agreement), the Issuer may not add any provisions to or change in any manner or eliminate any of the provisions of these Conditions or modify in any manner the rights of the Noteholders of such Series under these Conditions.

- (d) *Modification of Provisions Not Requiring Approval of the Noteholders:* The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of the Notes, the Receipts and/or the Coupons which is to (i) evidence the succession of another Person to the Issuer and the assumption by any such successor of the covenants of the Issuer herein and in the Notes; or (ii) to add to the covenants for the benefit of the Noteholders of all or any Series of Notes (and if such covenants are to be for the benefit of less than all Series of Notes, stating that such covenants are expressly being included solely for the benefit of such Series) or to surrender any right or power herein conferred upon the Issuer; or (iii) to add any additional Events of Default for the benefit of the Noteholders of all or any Series of Notes (and if such additional Events of Default are to be for the benefit of less than all Series of Notes, stating that such additional Events of Default are expressly being included solely for the benefit of such Series); or (iv) to add to, change or eliminate any of the provisions of these Conditions in respect of one or more Series of Notes, provided that any such addition, change or elimination (A) shall neither (1) apply to any Note of any Series created prior to the such addition, change or elimination and entitled to the benefit of such provision nor (2) modify the rights of the holder of any such Note with respect to such provision or (B) shall become effective only when there is no Note described in clause (1) outstanding; or (v) to secure the Notes; or (vii) to establish the form or terms of Notes of any Series as permitted by these Conditions; or (vii) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under these Conditions, provided that such action pursuant to this Condition 12(d)(vii) shall not adversely affect the interests of the Noteholders, the Receiptholders and/or the Couponholders of any Series in any material respect. Any such modification shall be binding on the Noteholders, the Couponholders and the Receiptholders and, except in the case of a modification to correct a manifest error, shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.
- (e) *Modification of Agency Agreement:* The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

13. Replacement of Notes, Receipts, Coupons and Talons

If a Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent or Paying Agent in Dublin (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Registered Notes) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

15. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on the Irish Stock Exchange, and the rules of that exchange so require, shall be published in a daily newspaper with a general circulation in Ireland (which is expected to be the *Irish Times*). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, in a daily newspaper with general circulation in Ireland (which is expected to be the *Irish Times*). If any such publication is not practicable notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

16. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgement order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgement or order.

17. Redenomination and Exchange

The Issuer may (if so specified in the applicable Final Terms) without the consent of the holder of any Note, Receipt, Coupon or Talon, redenominate into euro all, but not some, of the Notes of any Series on or after the date on which the member state of the European Union in whose national currency such Notes are denominated has become a participant member in the third stage of the European economic and monetary union (a "Participating Member State") as more fully set out in the applicable Final Terms. The Issuer may (if so specified in the applicable Final Terms) without the consent of the holder of any Note, Receipt, Coupon or Talon, elect that the Notes shall be exchangeable for Notes denominated in euro in accordance with such arrangements as the Issuer may decide.

18. Governing Law and Jurisdiction

- (a) *Governing Law:* The Notes, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with the laws of the State of New York.
- (b) *Jurisdiction:* The New York State or United States Federal Court sitting in the City and County of New York ("New York Courts") are to have jurisdiction to settle any disputes that may arise out of

or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (“Proceedings”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the New York Courts and waives any objection to Proceedings in such courts, on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) The Issuer has agreed that the documents which commence any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered in connection with any Proceedings in New York, to it c/o 70 Pine Street, New York, New York 10270. Nothing contained herein shall affect the right of any party to serve process in any other manner permitted by applicable law.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

Summary of Provisions relating to the Notes while in Global Form

Initial Issue of Notes

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg or for DTC and delivery of the relative Global Registered Note to the Common Depositary, or a Custodian for DTC (the "Custodian"), Euroclear or Clearstream, Luxembourg, as the case may be, will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary or the Custodian may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with DTC, Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Registered Note must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Registered Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC, or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Registered Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicate that such Global Note is issued in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme-Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each Temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any Permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part for Definitive Notes or, in the case of (iii) below, Registered Notes:

- (i) by the Issuer giving notice to the Noteholders and the Fiscal Agent of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due;
- (ii) in the case of a D Rules Note or if the relevant Final Terms provide that such Global Note is exchangeable for Definitive Notes at the request of the holder, by such holder giving notice to the Fiscal Agent of its election for such exchange;
- (iii) if the Permanent Global Note is an Exchangeable Bearer Note, by the holder thereof giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; or
- (iv) otherwise, (1) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system other than DTC (an “Alternative Clearing System”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

Unrestricted Global Registered Note

If the Final Terms state that the Registered Notes are to be represented by an Unrestricted Global Registered Note on issue, the following will apply in respect of transfers of Registered Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not, subject to applicable law and transfer restrictions, prevent the trading of interests in the Registered Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Registered Notes may be withdrawn from the relevant clearing system.

(1) Each Unrestricted Global Registered Note shall be registered in the name of the relevant clearing system designated for such Unrestricted Global Registered Note or a nominee thereof and delivered to such clearing system or a nominee thereof or custodian therefor and each such Unrestricted Global Registered Note shall constitute a single Note for all purposes of this Offering Circular.

(2) Notwithstanding any other provision in this Offering Circular, no Unrestricted Global Registered Note may be exchanged in whole or in part for Registered Notes, and no transfer of an Unrestricted Global Registered Note may be registered, in the name of any Person, other than the relevant clearing system for such Unrestricted Global Registered Note or a nominee thereof, unless (A) the relevant clearing system (i) has notified the Issuer that it is unwilling or unable to continue as the clearing system for such Unrestricted Global Registered Note or (ii) has ceased to be a clearing system under the Securities Exchange Act of 1934 (the “Exchange Act”), (B) there shall have occurred and be continuing an Event of Default with respect to such Unrestricted Global Registered Note or (C) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing, as have been specified for this purpose in the Final Terms for such Unrestricted Global Registered Note.

(3) Subject to clause (2) above, any exchange of an Unrestricted Global Registered Note for other Registered Notes may be made, in whole or in part, and all Registered Notes issued in exchange for an Unrestricted Global Registered Note or any portion thereof shall be registered in such names as the clearing system for such Unrestricted Global Registered Note shall direct.

(4) Every Registered Note authenticated and delivered upon registration of, or in exchange for or in lieu of, an Unrestricted Global Registered Note or any portion thereof, whether pursuant to this section or otherwise, shall be authenticated and delivered in the form of, and shall be, an Unrestricted Global Registered Note, unless such Registered Note is registered in the name of a Person other than the relevant clearing system for such Unrestricted Global Registered Note or a nominee thereof.

Restricted Global Registered Notes

If the Final Terms state that the Registered Notes are to be represented by a Restricted Global Registered Note on issue, the following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System. These provisions will not, subject to applicable law and transfer restrictions, prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

(1) Each Restricted Global Registered Note shall be registered in the name of the relevant clearing system designated for such Restricted Global Registered Note or a nominee thereof and delivered to such clearing system or a nominee thereof or custodian therefor and each such Restricted Global Registered Note shall constitute a single Note for all purposes of this Offering Circular.

(2) Notwithstanding any other provision in this Offering Circular, no Restricted Global Registered Note may be exchanged in whole or in part for Registered Notes, and no transfer of a Restricted Global Registered Note may be registered, in the name of any Person, other than the relevant clearing system for such Restricted Global Registered Note or a nominee thereof, unless (A) the relevant clearing system (i) has notified the Issuer that it is unwilling or unable to continue as the clearing system for such Restricted Global Registered Note or (ii) has ceased to be a clearing system under the Securities Exchange Act of 1934 (the "Exchange Act"), (B) there shall have occurred and be continuing an Event of Default with respect to such Restricted Global Registered Note or (C) there shall exist such circumstances, if any, in addition to or in lieu of the foregoing, as have been specified for this purpose in the Final Terms for such Restricted Global Registered Note.

(3) Subject to clause (2) above, any exchange of a Restricted Global Registered Note for other Registered Notes may be made, in whole or in part, and all Registered Notes issued in exchange for a Restricted Global Registered Note or any portion thereof shall be registered in such names as the clearing system for such Restricted Global Registered Note shall direct.

(4) Every Registered Note authenticated and delivered upon registration of, or in exchange for or in lieu of, an Restricted Global Registered Note or any portion thereof, whether pursuant to this section or otherwise, shall be authenticated and delivered in the form of, and shall be, an Restricted Global Registered Note, unless such Registered Note is registered in the name of a Person other than the relevant clearing system for such Restricted Global Registered Note or a nominee thereof.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the Permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Registered Notes, as the case may be. In this

Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Registered Notes will be authenticated and delivered in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"Exchange Date" means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Registered Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

Payments of principal and interest in respect of Restricted Registered Notes represented by a Restricted Global Registered Note deposited with a custodian on behalf of DTC and denominated in a currency other than U.S. Dollars will be made by the Fiscal Agent in the relevant currency in accordance with the following provisions. Upon receipt by the Fiscal Agent from the Issuer of amounts in such currency, the Fiscal Agent will pay such amounts by wire transfer of same day funds to the designated bank accounts in the relevant currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC Business Day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC Business Days prior to the relevant payment date, to receive that payment in such currency. The Fiscal Agent, after the Exchange Agent has converted amounts in such currency into U.S. Dollars, will deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Prescription

To the extent permitted by law, claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the

case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Registered Note shall (unless such Permanent Global Note or Global Registered Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Registered Note.)

Cancellation

Cancellation of any Note represented by a Permanent Global Note or of any Note represented by a Global Registered Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or Global Registered Note.

Purchase

Notes represented by a Permanent Global Note or Notes represented by a Global Registered Note may only be purchased by the Issuer or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or by a Global Registered Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or by a Global Registered Note may be exercised by the holder of the Permanent Global Note or Global Registered Note by giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note or Global Registered Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable.

Notices

So long as any Notes are represented by a Global Note or a Global Registered Note and such Global Note or Global Registered Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Registered Note, except that so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Ireland (which is expected to be the *Irish Times*).

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

Use of Proceeds

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular Tranche, there is a specifically identified use of proceeds other than for the Issuer's general corporate purposes, this will be stated in the applicable Final Terms.

Business Description

American International Group, Inc., a Delaware corporation incorporated on June 9, 1967 (“AIG”), is a holding company which, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities worldwide. AIG’s primary activities include both general and life insurance and retirement services operations. Other significant activities include financial services and asset management.

AIG’s general insurance subsidiaries are multiple-line companies writing substantially all lines of property and casualty insurance throughout the world. AIG’s life insurance and retirement services subsidiaries offer a wide range of insurance and retirement savings products throughout the world.

AIG’s financial services subsidiaries engage in diversified activities including aircraft and equipment leasing, capital market transactions, and consumer finance and insurance premium financing. AIG’s asset management operations comprise a wide variety of investment-related services and investment products, including institutional and retail asset management, broker dealer services and spread-based investment business from the sale of guaranteed investment contracts, also known as funding agreements.

The principal executive offices of AIG are located at 70 Pine Street, New York, New York 10270, U.S.A., telephone (212) 770-7000; AIG’s registered office in Delaware is c/o US Corporation Company, 32 Lockermann Square, Suite L-100, Dover, Delaware 06880, U.S.A.

Directors and Executive Officers of American International Group, Inc.

As of the date of this Offering Circular, the directors of AIG (in such capacity, each having their business address at 70 Pine Street, New York, New York 10270), together with the principal occupations held by them, are:

<u>Name</u>	<u>Occupation</u>
M. Bernard Aidinoff	Retired Partner, Sullivan & Cromwell LLP
Pei-yuan Chia	Retired Vice Chairman, Citicorp and Citibank, N.A.
Marshall A. Cohen	Counsel, Cassels, Brock & Blackwell; Former President and Chief Executive Officer, The Molson Companies Limited
William S. Cohen	Chairman and Chief Executive Officer, The Cohen Group; Former United States Secretary of Defense; Former United States Senator
Martin S. Feldstein	Professor of Economics, Harvard University; President and Chief Executive Officer, National Bureau of Economic Research
Ellen V. Futter	President, American Museum of Natural History
Stephen L. Hammerman..	Retired; Former Deputy Commissioner of Legal Matters, New York City Police Department; Former Vice Chairman, Merrill Lynch & Co.
Carla A. Hills	Chairman and CEO, Hills & Company; Former United States Trade Representative
Richard C. Holbrooke	Vice Chairman, Perseus LLC; Former United States Ambassador to the United Nations; Former Vice Chairman, Credit Suisse First Boston
Fred H. Langhammer	Chairman, Global Affairs, The Estee Lauder Companies
George L. Miles, Jr.	President and Chief Executive Officer, WQED Multimedia; Former Executive Vice President and Chief Operating Officer, WNET/Thirteen in New York
Morris W. Offit	Co-Chief Executive Officer, Offit Hall Capital Management LLC; Founder and Former CEO, OFFITBANK
Martin J. Sullivan	President and Chief Executive Officer, American International Group, Inc.
Michael H. Sutton	Independent Consultant; Former Chief Accountant of the United States Securities and Exchange Commission
Edmund S.W. Tse	Senior Vice Chairman — Life Insurance, American International Group, Inc.
Robert B. Willumstad	Retired; Former President and Chief Operating Officer, Citigroup Inc.
Frank G. Zarb	Chairman, Frank Zarb Associates, LLC; Senior Advisor, Hellman & Friedman LLC; Former Chairman and Chief Executive Officer, National Association of Securities Dealers, Inc., and The Nasdaq Stock Market, Inc.

See the Issuer's Annual Report on Form 10-K for the year ended December 31, 2005 for a list of the executive officers of the Issuer as of March 16, 2006, and the Proxy Statement of the Issuer dated June 27, 2005 for information regarding any potential conflicts of interest of the Issuer's directors and executive officers as of June 27, 2005.

Corporate Governance Matters

For a discussion of AIG's corporate governance policies as well as information concerning the committees of the Board of Directors, see "Corporate Governance, Board of Directors and Committees" in the Proxy Statement of the Issuer dated June 27, 2005.

Summary of Certain Significant Differences Between IFRS and U.S. GAAP

Principal differences between IFRS and U.S. GAAP

The Issuer's financial statements have been prepared and presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), which differ in certain significant respects from those accounting principles in accordance with International Financial Reporting Standards ("IFRS"). Certain significant differences between U.S. GAAP and IFRS are summarized below. This summary should not be construed as being exhaustive. Noteholders must rely on their own examination of the Issuer and its financial information. Noteholders should consult their own professional advisors for an understanding of the differences between U.S. GAAP and IFRS and how these differences might affect the financial information included or incorporated by reference herein. In addition, no attempt has been made to identify all classification, disclosure and presentation differences between U.S. GAAP and IFRS that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. No attempt has been made to identify future differences between U.S. GAAP and IFRS as the result of prescribed changes in standards and regulations. In addition, regulatory bodies that promulgate U.S. GAAP and IFRS have significant projects ongoing that could affect future comparisons between U.S. GAAP and IFRS. Finally, no attempt has been made to identify all future differences between U.S. GAAP and IFRS that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future.

First-Time Adoption of IFRS

A company adopting IFRS for the first time is allowed certain exemptions as specified in IFRS 1 "First-Time Adoption of International Financial Reporting Standards". Further, in the application of certain standards, IFRS would allow the Issuer to choose between accounting policy alternatives. The Issuer, in applying IFRS, would seek to minimize differences between U.S. GAAP and IFRS by adopting accounting policies similar to U.S. GAAP where possible.

Components of Financial Statements

IFRS requires two years of balance sheets, income statements, cash flow statements, changes in equity and accounting policy and notes to be included in the financial statements, whereas U.S. public companies must show three years for all statements, except balance sheets which are required for two years only.

Definition of Subsidiary

Under IFRS, the Issuer would consolidate subsidiaries that it controls. Control exists when the parent has the power, directly or indirectly, to govern the financial policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until that control ceases.

Under IFRS, SIC 12, "Consolidation — Special Purpose Entities," the assessment of control over a special purpose entity ("SPE") can be based on other than controlling a majority of voting rights. If control is exercised through other means, consideration is given to the substance of the relationship or retaining the majority of the residual or ownership risks related to the entity's assets. Control can be demonstrated by either decision-making or activities and must be accompanied by the objective of obtaining benefits from the SPE's activities. An ability to control may include, but is not limited to, an ability to unilaterally dissolve the SPE or change its charter or bylaws, predetermination of the activities of the entity or circumstances of control even in cases where an entity owns one-half or less of the voting power of the SPE.

Under U.S. GAAP, a parent company consolidates those entities over which it has controlling financial interests. The usual condition for a controlling financial interest is the direct or indirect ownership of a majority (more than 50%) voting interest, although control may arise through shareholder agreements, management agreements, rights conveyed through lease agreements or other means. A majority-owned subsidiary may be excluded from consolidation if control does not rest with the majority owner, as, for

instance, if the subsidiary is being reorganized or in bankruptcy or operates under foreign exchange restrictions, controls or other governmentally imposed uncertainties so severe that they cast significant doubt on the parent's ability to control the subsidiary. Such subsidiaries are usually accounted for at cost.

In addition, under U.S. GAAP, a parent company must consolidate all variable interest entities ("VIE") which it does not control, if the parent company is either exposed to a majority of the VIE's risks or receives a majority of the benefits from the VIE's activities. U.S. GAAP exempts qualified special purpose entities ("QSPEs") from this rule of consolidation.

Under both IFRS and U.S. GAAP, if the investor has a greater than 20% voting interest or when the investor has significant influence, the investee must be accounted for using the equity method.

Transfers of Financial Assets

IFRS requires that financial assets be derecognized, in whole or in part, when (a) the rights to the cash flows expire, (b) the rights to the asset's cash flows and substantially all risks and rewards are transferred or (c) an obligation to transfer the asset's cash flows is assumed. Control of the assets to be transferred is a secondary test for derecognition.

Under U.S. GAAP, financial assets are derecognized based on control. U.S. GAAP requires that the assets transferred be legally isolated even in bankruptcy or receivership. Also, under U.S. GAAP, an entity can be designated as a qualified special purpose entity ("QSPE") if certain conditions are met (e.g. it is demonstrably distinct, has passive assets and limited activities) to avoid consolidation. The concept and accounting for QSPEs does not exist under IFRS.

Capitalization of Borrowing Costs

Under IFRS, borrowing interest costs may be recognized as an expense in the period in which they are incurred. Under U.S. GAAP, interest costs incurred must be capitalized on qualifying assets.

Derivatives and Other Financial Instruments — Measurement of Financial Instruments and Hedging Activities

Hedge accounting is permitted under both U.S. GAAP and IFRS and a hedge qualifies for hedge accounting if the expectation is that changes in the fair value of the hedging instrument and the hedged items are offset within a range of 80% to 125%. Unlike IFRS, U.S. GAAP also allows, assuming stringent conditions are met, a 'short-cut' method that assumes perfect effectiveness for certain hedging relationships involving interest-rate swaps.

However, with respect to cash flow hedges, IFRS permits gains and losses on hedging instruments used to hedge non-financial items to be included in the cost of the non-financial assets or liability — referred to as a "basis adjustment". Such a basis adjustment is not permitted under U.S. GAAP. All gains and losses are subsequently released to the income statement with the deferred recognition of the hedged item.

Both IFRS and U.S. GAAP have similar definitions for derivatives; however, under U.S. GAAP the terms of a derivative contract must require or meet net settlement. Therefore, there are some instruments such as options and forward agreements to buy unlisted equity instruments that qualify as derivatives under IFRS but not under U.S. GAAP.

Investments

In addition to the fair value option under IFRS discussed below, the key investment accounting differences between IFRS and U.S. GAAP are as follows:

- U.S. GAAP does not allow market recoveries on available for sale debt securities to be recognized in profit or loss when they occur, but rather the difference between expected cash flows and carrying amount is to be amortized in accordance with AcSec SOP 03-3. IFRS differs by requiring changes in value of available for sale debt securities to be recorded as recoveries of previous impairment, if the

increase can be objectively related to an event occurring after the impairment loss was recognized, and recognized in the income statement. Both IFRS and U.S. GAAP prohibit reversal of impairments for available for sale equity securities.

- U.S. GAAP does not recognize a separate reporting category for originated loans and receivables.
- Under IFRS, direct holdings of investment properties are reported at fair value. Under U.S. GAAP, real estate is reported at the lower of cost or market value.

Fair value option

Under IAS 39, as amended, an irrevocable designation may be made to report financial assets or financial liabilities at fair value, with changes in fair value reported through profit or loss. No such election is currently permitted under U.S. GAAP.

Netting of assets and liabilities

IAS 32 permits offsetting of assets and liabilities with the same counterparty when the entity has a legal and enforceable right and intends to settle on a net basis. A master netting agreement without the parties' intention to settle net does not provide for the portfolio of derivatives entered into with a counterparty to be shown net on the balance sheet. Under U.S. GAAP without regard to this condition (*i.e.*, the parties' intention to settle net), the fair value amounts recognized for forward, interest rate swap, currency swap, option, and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement may be offset. The reporting entity's choice to offset or not must be applied consistently.

Insurance Contracts

IFRS 4 defines an insurance contract as a contract in which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Insurance risk is "significant" if and only if an insured event could cause an insurer to pay significant additional benefits in any scenario, even an extremely unlikely scenario, but excluding scenarios that lack commercial substance. IFRS 4 also distinguishes insurance risk from pure financial market risk.

IFRS 4 is an interim standard, which generally permits existing practices for insurance financial reporting to continue even though national standards vary significantly. The U.S. GAAP classification of insurance contracts is provided by reference to the combined requirements of accounting statements FAS 97, 60, 113 and 120. Certain life endowment contracts issued by subsidiaries of the Issuer in Asia and Europe are reported as insurance contracts for GAAP; however, due to their small face amount, these contracts would be reported as investment contracts under IFRS.

Reinsurance contracts that compensate the ceding party for losses but contain a timing delay in reimbursement are subject to deposit accounting under FAS 113 but are classified as insurance contracts under IFRS 4.

Under IFRS, certain contracts that have the form of insurance contracts but do not expose the insurer to significant insurance risk should be accounted for as investment contracts under IAS 39, and where there is an investment management element, IAS 18. These standards apply measurement principles to the assets and liabilities attaching to the contracts that may diverge from U.S. GAAP, including the value of the reserves, deferred acquisition costs, and deferred income reserves.

IAS 39 requires that the fair value of a financial liability be no less than the demand deposit amount. There is no similar U.S. GAAP requirement for insurance contracts. The U.S. GAAP FAS 97 liability for universal-life-type contracts and investment contracts consists of both the account value and a liability for insurance benefits in excess of the account value according to the AcSec SOP 03-01.

There is a difference for derivatives embedded in insurance contracts. Under IFRS an embedded derivative whose characteristics and risks are not closely related to the host contract and whose value is

interdependent with the value of the insurance contract does not need to be separately accounted for as a derivative. U.S. GAAP generally requires such derivatives to be accounted for separately.

IFRS disclosure requirements are generally principles-based, while U.S. GAAP provides explicit guidance on presentation standards. For example, FAS 107 requires separate disclosure of the fair value of financial instruments, including interest-sensitive deferred annuities (which are also insurance contracts under IFRS), but excluding other insurance contracts. IFRS insurance disclosures include a reconciliation of the effect of the change in each material assumption used to measure insurance assets and liabilities. IFRS requires disclosure of sensitivity to insurance, market and credit risk.

U.S. GAAP standards for defining and amortizing the Deferred Acquisition Cost (“DAC”) asset differ from the revenue recognition requirements of IAS 18 for financial service contracts. Under U.S. GAAP, expenses that vary with and primarily relate to the acquisition of new business may be deferred and amortized. U.S. GAAP deferrable expenses may include an allocation of indirect expense, such as underwriting costs. These expenses are amortized as a level proportion of premium (FAS 60); estimated gross profits (FAS 97) or estimated gross margins (FAS 120). For life products, U.S. GAAP uses the earned rate on allocated investments in the amortization method, either directly for the discount rate (FAS 60) or in the definition of gross profits (FAS 97).

Investment contracts under IAS 39 may have a service element attached (e.g. investment management services). Revenue recognition for the service element is governed by IAS 18. Only direct transaction expenses such as incremental commission costs related to the investment management component of the contract are deferrable under IAS 18. The resulting intangible asset is amortized ratably over the life of the investment contract as the entity recognizes the related reserve. If there is no investment management service component to the contract, such costs form part of the carrying amount of the liability.

Under IFRS, gains and losses on items held at amortized cost (such as loans and receivables) are calculated using the original effective interest rate set at the inception of the contract. U.S. GAAP requires a re-estimate of the effective interest rate from inception, using actual payments to date and revised estimates of cash flows including actual prepayment experience. This results in minor differences for recognition of finance charge revenue.

Employee Share Compensation

Under IFRS, share option plans are expensed based on the value determined using an option pricing model. Fair value for equity-settled plans is determined at the grant date, while cash-settled plans are fair valued initially at grant date and then remeasured at each reporting date until settlement. Under U.S. GAAP, the Issuer has chosen to apply FAS 123, which is similar to IFRS overall.

Property, Plant and Equipment

Under IFRS, the use of historical cost or revalued amounts is permitted. Frequent valuations of entire classes of assets are required when the revaluation option is chosen. Under U.S. GAAP, revaluation is not permitted. IFRS would additionally require the separate identification and depreciation of fixed asset components, which is not required under U.S. GAAP.

Leases — Lessor Accounting

The definition of a “finance lease” (*i.e.*, capital lease) under IFRS is based on the substance of the leasing transaction, that is, whether substantially all the risks and rewards (*e.g.* the lease term is the majority of the asset’s economic life and the present value of minimum lease payments is substantially equal to the fair value of the asset) incident to ownership of the asset were transferred to the lessee. Under IFRS, minimum lease payments for a lessor includes third party guarantees related to the leased assets, whereas U.S. GAAP excludes such third party guarantees when determining the investment in the lease.

The definition of a “finance lease” under U.S. GAAP is based on meeting specific quantitative criteria (*e.g.* the lease term is greater than 75% of the asset’s life and the present value of the lease payments is greater

than 90% of the fair value of the asset). Thus, a leasing transaction classified as a finance lease under IFRS may be classified as an operating lease under U.S. GAAP. This would result in different presentation and revenue recognition treatment.

Impairment of Assets

Under IFRS, measurement of impairment loss is based on the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value less its cost to sell and its value-in-use based on discounted cash flows.

Under U.S. GAAP, the impairment loss is measured as the excess of the carrying amount over the fair value. For assets to be disposed of, the loss recognized is the excess of the asset's carrying amount over its fair value less its cost to sell.

Once an impairment is recognized, the reduced carrying amount of the asset is accounted for as its new cost. For a depreciable asset, the new cost is depreciated over the asset's remaining useful life. Restoration of previously recognized impairment losses is prohibited, except for impairment losses recorded on assets to be disposed of. However, if the fair value of an asset to be disposed of increases, resulting in a write-up, the increased carrying amount cannot exceed the carrying amount of the asset before the decision was made to dispose of the asset.

For impairment testing under IFRS, goodwill is assigned to one or more cash-generating units ("CGU"). The CGU should represent the lowest level at which management monitors the return on investment in assets that include goodwill. Under U.S. GAAP, goodwill is assigned to an entity's reporting units: an operating segment or a component one level below an operating segment. When two or more components of an operating segment have similar economic characteristics, the components should be deemed a single reporting unit.

Intangible Assets

IFRS distinguishes between *research* and *development*. U.S. GAAP requires both research and development costs to be expensed as incurred. For IFRS, research costs are expensed but development costs must be capitalized under certain conditions. Specific standards for recognition differ depending on whether the intangible was acquired in a business combination or internally generated, and depending on industry group.

IFRS permits a subsequent revaluation of intangible assets to their fair value. Such revaluation must be based on prices in an active market. Where an entity adopts this treatment, the revaluations must be performed regularly for the entire class of intangible assets at the same time. U.S. GAAP does not permit revaluation of intangible assets.

U.S. GAAP establishes an intangible asset for the value of business acquired ("VOBA") in insurance business combinations. This represents the fair value of existing insurance contracts, in excess of the net purchase consideration. It is amortized similarly to DAC for the underlying contracts. Such a deferred profit element would generally not qualify as an asset under the IAS Framework, but IFRS 4 allows the practice to continue.

Deferred Income Taxes — General Approach

Both U.S. GAAP and IFRS take a similar, balance-sheet approach which distinguishes current taxes from the deferred taxes that arise from temporary differences in carrying value. U.S. GAAP and IFRS differ over specific exceptions to the application of those similar principles, as well as narrow differences in recognition, measurement and disclosure criteria. Both boards are revising standards to address exception differences. Some that remain include:

- a. Policyholders' surplus: U.S. GAAP allows an exception based on tax balances retained after major changes to the U.S. tax code in 1984.
- b. Foreign subsidiaries undistributed earnings: U.S. GAAP provides an exclusion for foreign subsidiaries' undistributed earnings, if such undistributed earnings meet permanent investment criteria, while the IFRS exception relates to all subsidiaries, foreign and domestic.

c. Intra-period tax allocation (“backward tracing”): U.S. GAAP requires changes in valuation allowances, tax laws and rates, and tax status to be recorded in continuing operations in the period of the changes. IFRS requires that current year deferred taxes, related to items credited or charged to equity in prior years, remain in equity.

d. Intercompany transfers: U.S. GAAP does not require deferred tax assets or liabilities created by intercompany transfers of non-monetary assets between tax jurisdictions (SFAS 109, para 9(e)).

e. Foreign currency translation: U.S. GAAP prohibits recognition of deferred tax assets or liabilities arising from foreign currency translation using historical rates (such as inventory, plant, intangibles) and resulting from changes in tax rates or tax indexing.

IFRS recognition criteria for deferred tax assets include an “affirmative judgement” that sufficient taxable profit will be available against which the temporary difference can be utilized. Under U.S. GAAP, deferred tax assets are recognized in full but are then reduced by a valuation allowance if it is “more likely than not” that some portion or all of the deferred tax asset will not be realized.

U.S. GAAP requires that the effect of a tax law change or rate change be recorded in the period that includes the enactment date. IFRS requires recording the effect of a tax rate change in the period in which it is “substantively enacted”.

Pension and Employee Benefit Programs

IFRS requires pension and post-employment benefits to be discounted at the market yield of high quality corporate bonds at the balance sheet date. U.S. GAAP requires pension benefits to be discounted at the rate such obligations could be effectively settled. In addition, IFRS provides an assets’ ceiling (not to exceed the aggregate of any refunds due from the plan and expected reduction of future contributions). There is no similar requirement under U.S. GAAP. Also, under U.S. GAAP (but not IFRS) the sponsor must record a minimum pension liability if the accumulated benefit obligation exceeds the fair value of plan assets and the amount of the accrued liability.

Earnings Per Share

Under IFRS, the dilutive effect of potential ordinary shares is reflected by applying the treasury stock method for the year-to-date period independent from any interim computation.

Under U.S. GAAP, the treasury stock method in year to date computations states that the number of incremental shares to be included in the denominator is determined by computing a year-to-date weighted average number of incremental shares included in each quarterly diluted EPS computation.

Contingent Liabilities

Both IFRS and U.S. GAAP have criteria for recognizing contingent liabilities, however under U.S. GAAP the meaning of probable has a higher threshold than “more likely than not”. Additionally, if measurement of the liability results in a range of estimates, then under IFRS the mid-point of the range is used to measure the liability, whereas under U.S. GAAP the minimum amount must be used to measure the liability. Long-term contingent liabilities should be discounted under IFRS.

Reversal of Impairment Charges on Investment Securities

Under IFRS, impairment charges on investment securities classified as available-for-sale or held-to-maturity may be reversed if the fair value of the related investment security increases after the impairment charge is taken.

Under U.S. GAAP, once an impairment charge is taken on available-for sale or held to maturity investment securities, no subsequent reversal is allowed.

Taxation

United States Federal Income Tax Considerations

This section describes the material United States federal income tax consequences of owning and disposing of the Notes. It applies only to those holders who hold their Notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”). This discussion applies to only to holders who purchase their Notes from the Issuer in the initial offering of a particular issuance of Notes. This section does not apply to any holder subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for their securities holdings;
- a bank or other financial institution;
- a life insurance company;
- a tax-exempt organization;
- a person that owns Notes that are a hedge or that are hedged against interest rate or currency risks;
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes; or
- a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue will be discussed in an applicable Final Terms. This section is based on the Code, its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offering Circular or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

United States Holders

This subsection describes the material U.S. federal income tax consequences to a United States holder. “United States holder” means a beneficial owner of a Note and that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of any of its political subdivisions;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if (i) a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust

or (ii) the trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

If a partnership (or any entity so classified for United States federal income tax purposes) holds a Note, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisor.

If you are not a United States holder, this subsection does not apply to you and you should refer to “— United States Alien Holders” below.

Payments of Interest

Except as described below in the case of interest on a discount note that is not qualified stated interest, each as defined below under “— Original Issue Discount — General,” a United States holder will be taxed on any interest on its Note, whether payable in U.S. dollars or a foreign currency, as ordinary income at the time it receives the interest or when the interest accrues, depending on the holder’s method of accounting for tax purposes.

Cash Basis Taxpayers. A United States holder that is a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and receives an interest payment that is denominated in, or determined by reference to, a foreign currency, must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether such holder actually converts the payment into U.S. dollars, and the U.S. dollar value will be such holder’s tax basis in the foreign currency.

Accrual Basis Taxpayers. A United States holder that is a taxpayer that uses an accrual method of accounting for tax purposes may determine the amount of income that such holder recognizes with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods for determining the average exchange rate during the accrual period. Under each method, if the accrual period spans two taxable years, the average exchange rate is determined with reference to the portion of the interest accrual period within the taxable year. Under the first method, such holder will determine the amount of income accrued based on the simple average of the spot exchange rates in effect for each business day during the relevant interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If a United States holder elects the second method by filing the appropriate election statement with the Internal Revenue Service, such holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the partial period. Additionally, under this second method, if such holder receives a payment of interest within five business days of the last day of its accrual period or taxable year, such holder may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day the interest payment is paid or actually received. If a United States holder elects the second method it will apply to all debt instruments that such holder holds at the beginning of the first taxable year to which the election applies and to all debt instruments that it subsequently acquires. A United States holder may not revoke this election without the consent of the Internal Revenue Service.

When a United States holder actually receives an interest payment, including a payment attributable to accrued but unpaid interest upon the disposition (actual or deemed) or retirement of such holder’s Note, denominated in, or determined by reference to, a foreign currency for which such holder accrued an amount of income, such holder will recognize ordinary income or loss equal to the difference, if any, between (i) the U.S. dollar value of the interest payment on the date such payment is received or the Note is disposed of or retired, regardless of whether such holder actually converts the payment into U.S. dollars, and (ii) the U.S. dollar value of the interest income accrued during the interest accrual period, based on the exchange rate that such holder used to accrue interest income.

Original Issue Discount

General. If a United States holder owns a Note, other than a short-term Note with a term of one year or less, it will be treated as a discount note issued at an original issue discount if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable in cash or property other than debt of the issuer, or constructively received, at least annually during the term of the Note at a single fixed rate with certain exceptions for lower rates paid during some periods applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed below under "— Variable Rate Notes".

In general, a Note is not a discount note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of $\frac{1}{4}$ of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity from the issue date. A Note will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If a Note has de minimis original issue discount, a United States holder must include the de minimis amount in income as stated principal payments are made on the Note, unless such holder makes the election described below under "— Election to Treat All Interest as Original Issue Discount". A United States holder can determine the includible amount with respect to each such payment by multiplying the total amount of such holder's Note's de minimis original issue discount by a fraction equal to:

- the amount of the principal payment made

divided by:

- the stated principal amount of the Note.

Inclusion of Original Issue Discount in Income. Generally, if a United States holder's discount note matures more than one year from its date of issue, such holder must include original issue discount ("OID") in income before such holder receives cash attributable to that income. The amount of OID that must be included in income is calculated using a constant-yield method, and generally a United States holder will include increasingly greater amounts of OID in income over the life of its discount note. More specifically, a United States holder can calculate the amount of OID that must be included in income by adding the daily portions of OID with respect to the discount note for each day during the taxable year or portion of the taxable year that such holder holds the discount note. A United States holder can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. A United States holder may select an accrual period of any length with respect to its discount note and may vary the length of each accrual period over the term of its discount note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount note must occur on either the first or final day of an accrual period.

A United States holder can determine the amount of OID allocable to an accrual period by:

- multiplying the discount note's adjusted issue price at the beginning of the accrual period by the Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on the Note allocable to the accrual period.

A United States holder must determine the discount note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, a United States holder determines its discount note's adjusted issue price at the beginning of any accrual period by:

- adding such holder's discount note's issue price and any accrued OID for each prior accrual period, and then
- subtracting any payments previously made on the discount note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on a United States holder's discount note contains more than one accrual period, then, when such holder determines the amount of OID allocable to an accrual period, such holder must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, such holder must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. A United States holder may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of the Note, other than any payment of qualified stated interest, and
- the Note's adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium. If a United States holder purchases its Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on the Note after the purchase date but is greater than the Note's adjusted issue price, as determined above under "— General," the excess is acquisition premium. If a United States holder does not make the election described below under "— Election to Treat All Interest as Original Issue Discount", then such holder must reduce the daily portions of OID by the amount of the daily accrual multiplied by a fraction equal to:

- the excess of such holder's adjusted basis in the Note immediately after purchase

over:

- the adjusted issue price of the Note

divided by:

- the excess of the sum of all amounts payable, other than qualified stated interest, on the Note after the purchase date

over:

- the Note's adjusted issue price.

Pre-Issuance Accrued Interest. An election may be made to decrease the issue price of a Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of the Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on the Note is to be made within one year of the Note's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Note.

Notes Subject to Contingencies Including Optional Redemption. A Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, a United States holder must determine the yield and maturity of its Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, a United States holder must include income on its Note in accordance with the general rules that govern contingent payment obligations, described below under “— Notes Subject to the Contingent Payment Obligation Rules”.

Notwithstanding the general rules for determining yield and maturity, if a Note is subject to contingencies, and either the United States holder or the Issuer have an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the holder's Note, and
- in the case of an option or options that the holder may exercise, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the holder's Note.

If both the holder and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. A United States holder may determine the yield on its Note for the purposes of those calculations by using any date on which its Note may be redeemed or repurchased as the maturity date and the amount payable on the date that such holder chose in accordance with the terms of its Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of the Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, the holder must redetermine the yield and maturity of its Note by treating the Note as having been retired and reissued on the date of the change in circumstances for an amount equal to the Note's adjusted issue price on that date.

Notes Subject to the Contingent Payment Obligation Rules. Under the general rules that govern contingent payment obligations, the amount of interest a United States holder is required to take into account for each accrual period will be determined by constructing a projected payment schedule for the Note and applying rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the yield at which the Issuer would issue a noncontingent fixed rate debt instrument with terms and conditions similar to such holder's Note (the “comparable yield”) and then determining a payment schedule as of the issue date that would produce the comparable yield. These rules may have the effect of requiring the United States holder to include interest in income in respect of such holder's Note prior to such holder's receipt of cash attributable to such income. Special rules apply if a United States holder purchases a contingent debt payment obligation at other than its adjusted issue price.

The applicable Final Terms will provide the comparable yield and projected payment schedule for the Note. A United States holder is required to use the comparable yield and projected payment schedule established by the Issuer in determining such holder's interest accruals in respect of its Note unless such holder timely discloses and justifies on its United States federal income tax return the use of a different comparable yield and projected payment schedule.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE IN THE APPLICABLE FINAL TERMS ARE NOT BEING PROVIDED FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF INTEREST ACCRUALS IN RESPECT OF THE NOTES, AND THE ISSUER MAKES NO REPRESENTATION OR PREDICTION REGARDING THE ACTUAL AMOUNT (IF ANY) THAT MAY BE PAYABLE WITH RESPECT TO THE NOTES.

The rules governing contingent payment obligations do not provide any rule for determining the maturity date for debt instruments that provide for an exchange right or, if applicable, a call right, for purposes of computing the comparable yield and projected payment schedule. If a Note includes such an exchange right or call right, the applicable Final Terms will discuss how the Issuer intends to compute the comparable yield and projected payment schedule for the Notes.

A United States holder will recognize gain or loss upon the sale, exchange, redemption or maturity of a Note in an amount equal to the difference, if any, between the fair market value of the amount of cash or property such holder receives at such time and such holder's adjusted basis in its Note. In general, a United States holder's adjusted basis in its Note will equal the amount such holder paid for its Note, increased by the amount of interest such holder previously accrued with respect to its Note (in accordance with the comparable yield and the projected payment schedule for the Note), and decreased by the amount of payments (if any) such holder received with respect to its Note. A United States holder's holding period in any property such holder receives upon exchange of its Note will begin on the day after receipt.

Any gain a United States holder recognizes upon the sale, exchange, redemption or maturity of its Note will be ordinary interest income. Any loss such holder recognizes at such time will be ordinary loss to the extent of interest such holder included as income in the current or previous taxable years in respect of the Note, and thereafter, as capital loss.

United States holders should consult their own tax advisors about special rules that may apply if they purchase a contingent payment obligation at other than its adjusted issue price.

Election to Treat All Interest as Original Issue Discount. A United States holder may elect to include in gross income all interest that accrues on its Note using the constant-yield method described above under “— General”, with the modifications described below. For purposes of this election, interest will include stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under “— Notes Purchased at a Premium,” or acquisition premium.

If a United States holder makes this election for its Note, then, when such holder applies the constant-yield method:

- the issue price of the Note will equal such holder's cost,
- the issue date of the Note will be the date such holder acquired it, and
- no payments on the Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which the United States holder makes it; however, if the Note has amortizable bond premium, a United States holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludable from gross income, that such holder holds as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if a United States holder makes this election for a market discount Note, such holder will be treated as having made the election discussed below under “— Market Discount” to include market discount in income currently over the life of all debt instruments that such holder currently owns or later acquires. A United States holder may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or market discount Notes without the consent of the Internal Revenue Service.

Variable Rate Notes. A Note will be a variable rate note if:

- the Note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:
 1. .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
 2. 15 percent of the total noncontingent principal payments; and
- the Note provides for stated interest, compounded or paid at least annually, only at:
 1. one or more qualified floating rates,
 2. a single fixed rate and one or more qualified floating rates,
 3. a single objective rate, or
 4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Note is denominated; or
- the rate is equal to such a rate multiplied by either:
 1. a fixed multiple that is greater than 0.65 but not more than 1.35; or
 2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Note provides for two or more qualified floating rates, the values of which differ by 0.25 percentage points or less on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

A Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

A Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the Issuer or a related party such as dividends, profits or the value of the Issuer's stock, and
- the value of the rate on any date during the term of the Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate, and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

A Note will also have a single qualified floating rate or an objective rate if interest on the Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points; or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

Commercial paper rate notes, prime rate notes, LIBOR notes, EURIBOR notes, treasury rate notes, CMT rate notes, CD rate notes, and federal funds rate notes generally will be treated as variable rate notes under these rules.

In general, if a variable rate note is unconditionally payable at least annually in cash or property other than debt of the Issuer and provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on such Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for the Note.

If a variable rate note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a United States holder generally must determine the interest and OID accruals on the Note by:

- determining a fixed rate substitute for each variable rate provided under the variable rate note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting the qualified stated interest or OID allocable to the applicable accrual period to reflect interest paid under the actual variable rates.

When a United States holder determines the fixed rate substitute for each variable rate provided under the variable rate note, such holder generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a fixed rate that reflects the reasonably expected yield on such holder's Note.

If a United States holder's variable rate note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate, other than at a single fixed rate for an initial period, such holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, the variable rate note will be treated, for purposes of the first three steps of the determination, as if the Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of the variable rate note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Notes. In general, if a United States holder is an individual or other cash basis United States holder of a short-term note, such holder is not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless such holder elects to do so (although it is possible that such holder may be required to include any stated interest in income as such holder receives it). If a United States holder is an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, such holder will be required to accrue OID on short-term notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If a

United States holder is not required and does not elect to include OID in income currently, any gain such holder realizes on the sale, exchange or retirement of a short-term note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis, unless such holder makes an election to accrue the OID under the constant-yield method, through the date of sale, exchange or retirement. However, if the United States holder is not required and does not elect to accrue OID on short-term notes, such holder will be required to defer deductions for interest on borrowings allocable to its short-term notes in an amount not exceeding the deferred income until the deferred income is realized.

When a United States holder determines the amount of OID subject to these rules, such holder must include all interest payments on its short-term note, including stated interest, in the short-term note's stated redemption price at maturity.

Foreign Currency Discount Notes. If a discount note is denominated in, or determined by reference to, a foreign currency, a United States holder must determine OID for any accrual period on its discount note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described under "United States Holders — Payments of Interest" above. A United States holder may recognize ordinary income or loss when such holder receives an amount attributable to OID in connection with a payment of interest or the sale or retirement of its Note.

Market Discount

A United States holder will be treated as if such holder purchased its Note, other than a short-term note or a Note subject to the contingent payment obligation rules, at a market discount, and such Note will be a market discount note if:

- the United States holder purchases the Note for less than its issue price as determined above under "— Original Issue Discount — General," and
- the difference between the Note's stated redemption price at maturity or, in the case of a discount note, the Note's revised issue price, and the price such holder paid for the Note is equal to or greater than $\frac{1}{4}$ of 1 percent of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity.

To determine the revised issue price of the Note for these purposes, a United States holder generally adds any OID that has accrued on the Note to its issue price less any prior payments other than payments of qualified stated interest.

If the Note's stated redemption price at maturity or, in the case of a discount note, its revised issue price, exceeds the price the United States holder paid for the Note by less than $\frac{1}{4}$ of 1 percent multiplied by the number of complete years to the Note's maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to such holder.

A United States holder must treat any gain it recognizes on the maturity or disposition of a market discount note as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a United States holder may elect to include market discount in income currently over the life of the Note. If a United States holder makes this election, it will apply to all debt instruments with market discount that such holder acquires on or after the first day of the first taxable year to which the election applies. A United States holder may not revoke this election without the consent of the Internal Revenue Service. If a United States holder owns a market discount note and does not make this election, such holder will generally be required to defer deductions for interest on borrowings allocable to the Note in an amount not exceeding the accrued market discount on the Note until the maturity or disposition of the Note.

A United States holder will accrue market discount on a market discount note on a straight-line basis unless such holder elects to accrue market discount using a constant-yield method. If the holder makes this election, it will apply only to the Note with respect to which it is made and the holder may not revoke it.

Notes Purchased at a Premium

If a United States holder purchases a Note, other than a Note subject to the contingent payment obligation rules, for an amount in excess of its principal amount, such holder may elect to treat the excess as amortizable bond premium. If a United States holder makes this election, such holder will reduce the amount required to be included in such holder's income each year with respect to interest on the Note by the amount of amortizable bond premium allocable to that year, based on the Note's yield to maturity. If the Note is denominated in, or determined by reference to, a foreign currency, the holder will compute its amortizable bond premium in units of the foreign currency and the amortizable bond premium will reduce such holder's interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time the amortized bond premium offsets interest income and the time of the acquisition of the Note is generally taxable as ordinary income or loss. If a United States holder makes an election to amortize bond premium, the election will apply to all debt instruments, other than debt instruments the interest on which is excludable from gross income, that such holder holds at the beginning of the first taxable year to which the election applies or that the holder thereafter acquires, and the election may not be revoked without the consent of the Internal Revenue Service. See also “— Original Issue Discount — Election to Treat All Interest as Original Issue Discount.”

Purchase, Sale and Retirement of the Notes

A United States holder's tax basis in a Note will generally be the U.S. dollar cost, as defined below, of the Note, adjusted by:

- adding any OID or market discount, de minimis original issue discount and de minimis market discount previously included in income with respect to the Note, and then
- subtracting any payments on the Note that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on the Note.

If a United States holder purchases a Note with foreign currency, the U.S. dollar cost of the Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, for a cash basis taxpayer, or an accrual basis taxpayer that so elects, whose Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of a Note will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

A United States holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount such holder realizes on the sale or retirement and the holder's tax basis in the Note. If a United States holder's Note is sold or retired for an amount in foreign currency, the amount such holder realizes will be the U.S. dollar value of such amount on the date the Note is traded or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

A United States holder will recognize capital gain or loss upon the sale or retirement of a Note, except to the extent:

- described above under “— Original Issue Discount — Short-Term Notes” or “— Market Discount”;
- attributable to accrued but unpaid interest;
- the rules governing contingent payment obligations apply; or
- attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States holder that is recognized before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

A United States holder must treat any portion of the gain or loss that the holder recognizes on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates.

However, a United States holder takes exchange gain or loss into account only to the extent of the total gain or loss such holder realizes on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

If a United States holder receives foreign currency as interest on a Note or on the sale or retirement of a Note, such holder's tax basis in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If a United States holder purchases foreign currency, it generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of the purchase. If a United States holder sells or disposes of a foreign currency, including using it to purchase Notes or exchanging it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

United States Alien Holders

This subsection describes the material U.S. federal income tax consequences to a United States Alien holder. "United States Alien holder" means a beneficial owner of a Note or coupon that is, for United States federal income tax purposes:

- a nonresident Alien individual;
- a foreign corporation; or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note or coupon.

If you are a United States holder, this subsection does not apply to you.

This discussion assumes that the Note or coupon is not subject to the rules of Section 871(h)(4)(A) of the Internal Revenue Code, relating to interest payments that are determined by reference to the income, profits, changes in the value of property or other attributes of the debtor or a related party.

Under present United States federal income and estate tax law, and subject to the discussion of backup withholding below, for United States Alien holders of a Note or coupon:

- the Issuer and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, including OID, to such holders if, in the case of payments of interest:
 1. the holder does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of AIG entitled to vote,
 2. the holder is not a controlled foreign corporation that is related to the Issuer directly or indirectly through stock ownership and is not a bank that has invested in the Note as an extension of credit made pursuant to a loan agreement in the ordinary course of its trade or business, and
 3. in the case of a Registered Note, the U.S. payor does not have actual knowledge or reason to know that the holder is a United States person and at least one of the following conditions has been met:
 - a. the holder has furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form that includes the holder's name and address and upon which the holder certifies, under penalties of perjury, that such holder is a non-United States person,
 - b. in the case of payments made outside the United States to the holder at an offshore account (generally, an account maintained by the holder at a bank or other financial institution at any location outside the United States), the holder has furnished to the U.S. payor documentation that establishes the holder's identity and its status as the beneficial owner of the payment for United States federal income tax purposes and as a non-United States person,

c. the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:

(i) a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),

(ii) a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service), or

(iii) a U.S. branch of a non-United States bank or of a non-United States insurance company,

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation that is, for United States federal income tax purpose, the beneficial owner of the payment on the Notes upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service),

d. the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business,

(i) certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from the holder by it or by a similar financial institution between it and the holder, and

(ii) to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form, or

e. the U.S. payor otherwise possesses documentation that is, for United States federal income tax purpose, the beneficial owner of the payment on the Notes upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations; and

4. In the case of a Bearer Note, the Note is offered and sold and delivered in compliance with the restrictions described in the Offering Circular under "Subscription and Sale — Selling Restrictions — United States" and payments on the Notes are made in accordance with the procedures described above under "Terms and Conditions of the Notes — Payments and Talons," and below; and

- no deduction for any United States federal withholding tax will be made from any gain that a United States Alien holder realizes on the sale or exchange of a Note or coupon.

If a United States Alien holder is engaged in a trade or business in the United States, and if interest on a Note or gain realized on the sale, exchange or other disposition of a Note is effectively connected with the conduct of such trade or business, such holder generally will be subject to regular United States federal income tax on such interest or gain in the same manner as if the holder were a United States holder, although such interest or gain will be exempt from the withholding tax discussed in the preceding paragraphs. In addition, if a United States Alien holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Further, a Note or coupon held by an individual who at death is not a citizen or resident of the United States will not be includable in the individual's gross estate for United States federal estate tax purposes if:

- the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Issuer entitled to vote at the time of death and

- the income on the Note or coupon would not have been effectively connected with a United States trade or business of the decedent at the same time.

Backup Withholding and Information Reporting

United States Holders. In general, for noncorporate United States holders, the Issuer and other payors are required to report to the Internal Revenue Service all payments of principal, any premium and interest on the holder's Note, and the accrual of OID on a discount note. In addition, the Issuer and other payors are required to report to the Internal Revenue Service any payment of proceeds of the sale of the holder's Note before maturity within the United States. Additionally, backup withholding will apply to any payments, including payments of OID, if the holder fails to provide an accurate taxpayer identification number, or the holder is notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on the holder's federal income tax returns.

United States Alien Holders. In general, for United States Alien holders, payments of principal, premium or interest, including OID, on a Registered Note made by the Issuer and other payors to the holder will not be subject to backup withholding and information reporting, provided that the certification requirements described above under “— United States Alien Holders” are satisfied or the holder otherwise establish an exemption. However, the Issuer and other payors are required to report payments of interest on registered Notes on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements.

In addition, payment of the proceeds from the sale of Notes to or through a United States office of a broker will not be subject to backup withholding and information reporting provided that:

- the broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished to the payor or broker:
- an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which the holder certifies, under penalties of perjury, that the holder is a non-United States person, or
- other documentation upon which the broker may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or
- the holder otherwise establishes an exemption.

If a United States Alien holder fails to establish an exemption and the broker does not possess adequate documentation of the holder's status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by the holder unless the broker has actual knowledge that the holder is a United States person.

In general, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the holder at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above (relating to a sale of Notes effected at a United States office of a broker) are met or the holder otherwise establishes an exemption.

In addition, payment of the proceeds from the sale of Notes effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
 - one or more of its partners are “U.S. persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
 - such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above (relating to a sale of Notes effected at a United States office of a broker) are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting, and the broker has actual knowledge that the holder is a United States person.

Any amounts withheld under the backup withholding rules may be allowed as a credit against the holder's U.S. federal income tax liability, and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

Holders should consult their tax advisors regarding the application of information reporting and backup withholding to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining an exemption, if available.

THE SUMMARY OF U.S. FEDERAL INCOME AND ESTATE TAX SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING NOTES OR COUPONS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from July 1, 2005, 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, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from July 1, 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Final Terms dated 25 August 2006

AMERICAN INTERNATIONAL GROUP, INC.

Issue of Ps.1,000,000,000 8.59% Fixed Rate Notes due September 15, 2016
under the US\$10,000,000,000 Euro Medium Term Note Programme of American International
Group, Inc.

This document constitutes the Final Terms relating to the issue of Notes described herein.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 24 March 2006 and the Supplemental Prospectuses dated 12 April 2006, 18 May 2006, 26 June 2006, 4 August 2006, and 17 August 2006, which together constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document indicates the Final Terms of the Notes described herein and must be read in conjunction with such Prospectus as so supplemented. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus and the Supplemental Prospectuses are available for viewing at and copies may be obtained from, the offices of the Irish Stock Exchange.

(1)	(i)	Series Number:	8
	(ii)	Tranche Number:	1
(2)	Specified Currency or Currencies:		Mexican Peso ("Ps.")
(3)	Aggregate Nominal Amount of Notes admitted to trading:		
	(i)	Series:	Ps.1,000,000,000
	(ii)	Tranche:	Ps.1,000,000,000
(4)	Issue Price:		100 per cent. of the principal amount of the Notes
(5)	Specified Denominations:		Ps.1,000,000 and integral multiples of Ps.1,000 in excess thereof. The Notes may not be subdivided or reissued in a smaller denomination.
(6)	(i)	Issue Date:	August 31, 2006
	(ii)	Interest Commencement Date	August 31, 2006
(7)	Maturity Date:		September 15, 2016
(8)	Exercise Date/Final Reference Date		Not applicable
(9)	Interest Basis:		8.59% Fixed Rate

(10)	Redemption/Payment Basis:	Redemption at par
(11)	Change of Interest or Redemption/Payment Basis:	Not applicable
(12)	Put/Call Options:	Not applicable
(13)	(i) Status of the Notes:	Senior
	(ii) Date Board approval for issuance of Notes obtained:	21 September 2005
(14)	Method of distribution:	Non-syndicated

(15) Initial Interest Payment Date: March 15, 2007

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

(16)	Fixed Rate Note Provisions	Applicable
(i)	Rate of Interest:	8.59 per cent. per annum payable semi-annually in arrears
(ii)	Interest Payment Date(s):	Semi-annually on each March 15 and September 15, commencing March 15, 2007 and ending on the Maturity Date, subject to adjustment for payment only in accordance with the Modified Following Business Day Convention for which a "Business Day" is a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London, New York City and Mexico City, and Condition 5 shall be amended accordingly.
(iii)	Fixed Coupon Amount:	Ps.42,950.00 per Ps.1,000 in Nominal Amount (except as set forth below in 16(iv))
(iv)	Broken Amount(s):	Ps.46,767.78 per Ps.1,000 in Nominal Amount on March 15, 2007 (long first coupon)
(v)	Day Count Fraction (Condition 5(j)):	Actual/360
(vi)	Determination Dates (Condition 5(j)):	Not applicable
(vii)	Other terms relating to the method for	Not applicable

calculating interest
for Fixed Rate
Notes:

(17)	Floating Rate Note Provisions	Not Applicable
(18)	Zero Coupon Note Provisions	Not applicable
(19)	Index-Linked Interest Note/other variable-linked interest Note Provisions	Not applicable
(20)	Dual Currency Note Provisions	Not applicable

PROVISIONS RELATING TO REDEMPTION

(21)	Call Option	Not applicable
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(22)	Put Option	Not applicable
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(23)	Final Redemption Amount of each Note	Par
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(24)	Early Redemption Amount	
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Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(c)) or on Event of Default (Condition 10) or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)):

Unmatured Coupons to become void upon early redemption (Condition 7(f)):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

(25)	Form of Notes:	Global Registered Notes
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(i)	Temporary or
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	Permanent Global Note:	Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
(ii)	Whether TEFRA D rules applicable or TEFRA D not applicable:	Not applicable
(26)	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	London, New York City and Mexico City
(27)	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
(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
(29)	Details relating to Installment Notes: amount of each installment, date on which each payment is to be made:	Not applicable
(30)	Redenomination, renominalisation and reconventioning provisions:	Not applicable
(31)	Consolidation provisions:	The provisions in Condition 14 apply
(32)	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 12(a):	Not applicable
(33)	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of 10.97, producing a	US\$91,157,703

sum of (for Notes not
denominated in U.S. dollars):

(34) Other final terms: Not applicable

DISTRIBUTION

(35) (i) If syndicated, names and addresses of Managers and underwriting commitments: Not applicable

(ii) Date of Subscription Agreement Not applicable

(iii) Stabilizing Manager(s) (if any): Not applicable

(36) If non-syndicated, names and addresses of Dealer and underwriting commitment: Santander Investment Limited

(37) Additional selling restrictions: THE NOTES HAVE NOT BEEN AND ARE NOT INTENDED TO BE REGISTERED IN THE MEXICAN NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION, AND, THEREFORE THE NOTES MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO.

THE NOTES MAY BE PRIVATELY PLACED IN MEXICO AMONG INSTITUTIONAL AND QUALIFIED INVESTORS (AS DEFINED UNDER THE SECURITIES MARKET LAW), PURSUANT TO THE EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW.

THE NOTES HAVE NOT BEEN AND ARE NOT EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE NOTES WILL INITIALLY BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO, OR FOR THE ACCOUNT OR BENEFIT OF, NON-U.S. PERSONS (AS DEFINED

IN REGULATION S UNDER THE SECURITIES ACT)
IN OFFSHORE TRANSACTIONS IN RELIANCE ON
REGULATION S UNDER THE SECURITIES ACT.

(38) Terms and conditions of the Not applicable
offer

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:

A handwritten signature consisting of several diagonal, slanted lines.

Duly authorized

PART B – OTHER INFORMATION

1. RISK FACTORS

Additional product specific risk factors which are not covered under "Risk Factors" in the Prospectus:

2. LISTING

(i) Listing: Currently intended on the Irish Stock Exchange and an application will be made by Santander Investment Limited to list the Notes on the Sistema Internacional de Cotizaciones (SIC), a quotation system maintained by the Bolsa Mexicana de Valores S.A. de C.V..

(ii) Admission to trading: Application will be made for the Notes to be admitted to trading on the Irish Stock Exchange. Application will also be made by Santander Investment Limited to list the Notes on the Sistema Internacional de Cotizaciones (SIC) of the Bolsa Mexicana de Valores.

(iii) Estimate of total expenses related to admission to trading: €500 for listing on the Irish Stock Exchange and US\$2,000 for listing on the SIC

3. RATINGS

Ratings: The Notes to be issued are expected to be rated:
Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.: AA
Moody's Investors Service Inc.: Aa2

4. NOTIFICATION

[Not applicable]

5. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Except as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

6. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i)	Reasons for the offer	To fund the AIG Matched Investment Program, the Issuer's principal spread-based investment activity.
(ii)	Estimated net proceeds:	US\$90,975,388
(iii)	Estimated total expenses:	US\$40,000 for legal, printing, filing and miscellaneous administrative expenses.

7. Fixed Rate Notes only – YIELD

Indication of yield:	The yield will be calculated at the Issue Date on the basis of the Issue Price.
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8. HISTORIC INTEREST RATES

Not applicable

9. PERFORMANCE OF INDEX/FORMULA

Not applicable.

10. PERFORMANCE OF RATES OF EXCHANGE

Not applicable.

11. OPERATIONAL INFORMATION

ISIN Code: XS0266561769

Common Code: 026656176

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): Holders may choose to own Beneficial interests in the global note through the custodians that are members of S.D. Indeval S.A., de C.V., Institución para el Depósito de Valores ("Indeval"), the Mexican clearing system, which has a custody relationship with custodians that are participants in both Clearstream, Luxembourg and Euroclear.

Delivery: Delivery free of payment

Names and addresses of The Bank of New York
101 Barclay Street, 21W

additional Paying Agent(s) (if any): New York, New York
10286

Certain ERISA Considerations

Unless otherwise set out in a Final Terms or other supplement to this Offering Circular and subject to the considerations discussed below, Notes will be eligible for purchase by employee benefit plans that are subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or the U.S. Internal Revenue Code. Any fiduciary of such a benefit plan considering a purchase of Notes should, however, consult with its counsel regarding the consequences of its purchase under ERISA and the U.S. Internal Revenue Code.

The fiduciary standards of ERISA should be considered by the fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of ERISA (an “ERISA Plan”) in the context of the ERISA Plan’s particular circumstances before authorizing an investment in Notes. Among other factors, the fiduciary should consider whether such an investment is in accordance with the documents governing the ERISA Plan and whether an investment is appropriate for the ERISA Plan in view of its overall investment policy and the composition and diversification of its portfolio.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), prohibit ERISA Plans, as well as individual retirement accounts, self-employment retirement plans and other pension and profit sharing plans subject to Section 4975 of the Code (together with ERISA Plans, the “Plans”) from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Plans. Therefore, fiduciaries of ERISA Plans and persons making investment decisions for other Plans should also consider whether an investment in Notes might constitute or give rise to a prohibited transaction under ERISA and the Code. The Issuer may be considered a party in interest or disqualified person with respect to a Plan since it and certain of its affiliates are engaged in businesses which provide services to Plans. If so, the acquisition, holding and disposition of Notes by a Plan could be a prohibited transaction. Governmental plans (as defined in Section 3(32) of ERISA) and church plans (as defined in Section 3(33) of ERISA), while generally not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to local, state or other Federal laws that are substantially similar to the foregoing provisions of ERISA and the Code.

There are five prohibited transaction class exemptions (“PTCEs”) issued by the U.S. Department of Labor which could exempt the purchase and holding of Notes from the prohibited transaction provisions of ERISA and the Code — PTCE 84-14, for certain transactions determined by qualified professional asset managers, PTCE 90-1, for certain transactions involving insurance company pooled separate accounts, PTCE 91-38, for certain transactions involving bank collective investment funds, PTCE 95-60 for certain transactions involving insurance company general accounts, and PTCE 96-23, for certain transactions determined by in-house asset managers. Each purchaser and transferee of Notes is deemed to represent that either Notes are not being acquired with assets of a Plan or the acquisition, holding and, to the extent relevant, disposition of Notes by the purchaser or transferee is eligible for the relief available under one of the five PTCEs referred to in the preceding sentence.

Due to the complexity of these rules and the penalties imposed upon persons involved in prohibited transactions, it is important that a plan considering the purchase of Notes consult with its counsel regarding the consequences under ERISA of the acquisition, holding and disposition of Notes.

Clearing and Settlement

The information set out below in connection with Euroclear, Clearstream, Luxembourg and DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of the clearing systems currently in effect. The information in this section concerning the clearing systems has been obtained from sources believed to be reliable, but neither the Issuer or any Dealer takes any responsibility for the accuracy thereof.

Investors wishing to use the facilities of any of the clearing systems are advised to confirm the applicability of the rules, regulations and procedures of the relevant clearing system. Neither the Issuer, the Fiscal Agent or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in Notes held through the facilities of, any clearing system or for maintaining, supervising or reviewing any records relating to such interests.

General

Beneficial interests in the Global Notes and Global Registered Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and DTC and their participants.

Subject to applicable law and the terms of the Agency Agreement, the Issuer, the Fiscal Agent, the Registrar and the Paying and Transfer Agents will treat the bearer of the Global Notes and the persons in whose names Global Registered Notes are registered as owners of the Notes represented by such Global Notes and Global Registered Notes for the purpose of receiving payments on such Notes and for all other purposes whatsoever. Therefore, none of the Issuer, the Fiscal Agent, the Registrar or the Paying or Transfer Agents has any direct responsibility or liability for the payments on the Notes to owners of beneficial interests in the Global Notes or Global Registered Notes. All payments made by the Issuer to the holders of the Global Notes and Global Registered Notes shall discharge the liability of such Issuer under the Notes to the extent of the sums so paid. No Dealer or any affiliate of any Dealer or any person by whom any Dealer is controlled (as such term is defined in the Securities Act), has any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Euroclear System

The Euroclear System was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thus eliminating the need for physical movement of certificates and risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in many currencies, including U.S. Dollars. The Euroclear System provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries.

The Euroclear System is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance System, S.C., a Belgian cooperative corporation (the "Cooperative"). The Euroclear Operator conducts all operations, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear System on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Euroclear is an indirect participant in DTC.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern transfers of securities and cash within the

Euroclear System, withdrawal of securities and cash from the Euroclear System and receipts of payments with respect to securities in the Euroclear System.

All securities in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding securities through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Operator and by Euroclear.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated as a limited company under Luxembourg law. Clearstream International, société anonyme (“Clearstream, International”) owns Clearstream, Luxembourg. Clearstream International’s shareholders are banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thus eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in a number of countries. Clearstream, Luxembourg has established an electronic bridge with Euroclear S.A./N.V., the operator of the Euroclear System, to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

As a registered bank in Luxembourg, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream, Luxembourg customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream, Luxembourg customers are limited to securities brokers and dealers. Clearstream, Luxembourg customers may include the underwriters. Other institutions that maintain a custodial relationship with a Clearstream, Luxembourg customer may obtain indirect access to Clearstream, Luxembourg. Clearstream, Luxembourg is an indirect participant in DTC.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

The Depository Trust Company

DTC may act as securities depositary for Restricted Registered Notes, as specified in the relevant Final Terms. DTC is a limited-purpose trust company organised under the New York Banking Law; a “banking organisation” under the New York Banking Law; a member of the Federal Reserve System; a “clearing corporation” under the New York Uniform Commercial Code; and a “clearing agency” registered under the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in direct participants’ accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants of DTC include securities brokers and dealers (including underwriters), banks, trust companies, clearing corporations, and certain other organisations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Indirect participants of DTC, such as securities brokers and

dealers, banks and trust companies, can also access the DTC system if they maintain a custodial relationship with a direct participant.

Investors which are not a direct participant or an indirect participant who wish to purchase, sell or otherwise transfer ownership of, or other interests in, Restricted Registered Notes represented by a Restricted Global Registered Note, must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law.

Purchases of Notes under DTC's system must be made by or through direct participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Restricted Registered Notes represented by a Restricted Global Registered Note are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Notes, except in limited circumstances.

The Restricted Global Registered Notes deposited with DTC will be registered in the name of DTC's nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Euroclear, Clearstream, Luxembourg and DTC Arrangements

Distributions of principal and interest with respect to book-entry interests in Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Fiscal Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Fiscal Agent through DTC. See also "Summary of Provisions Relating to the Notes while in Global Form — Amendments to Conditions — Payments". Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in Global Notes and Global Registered Notes to such persons will be limited (to the extent permitted by applicable tax and securities laws and regulations — see "Subscription and Sale"). Because Euroclear, Clearstream, Luxembourg and DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Global Registered Notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes through Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of the Notes represented by both an Unrestricted Global Registered Note and a Restricted

Global Registered Note on the Register to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg, and DTC, respectively.

Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC. Interests in the Global Registered Notes will be in uncertificated book-entry form.

Secondary Market Trading in Relation to Global Notes and Global Registered Notes

Trading between Euroclear and/or Clearstream, Luxembourg Accountholders

Secondary market sales of book-entry interests in Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Restricted Registered Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations if payment is effected in U.S. dollars, or free of payment if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC Participants and Euroclear/Clearstream, Luxembourg Accountholders

Unrestricted Registered Notes which are sold in an “offshore transaction” within the meaning of Regulation S may be represented by an Unrestricted Global Registered Note deposited with a common depositary on behalf of, and registered in the name of a common nominee for, Euroclear and Clearstream, Luxembourg. Restricted Registered Notes which are resold pursuant to Rule 144A may be represented by a Restricted Global Registered Note deposited with a custodian on behalf of, and registered in the name of a nominee for, DTC.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Registered Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the form of a corresponding Unrestricted Global Registered Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12.00 noon, New York City time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by such Unrestricted Global Registered Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date but for value settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Registered Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or

Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Luxembourg/Brussels time as the case may be, one business day prior to the settlement date.

Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear and Clearstream, Luxembourg accountholder, as the case may be.

On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Unrestricted Global Registered Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the corresponding Restricted Global Registered Note.

Trading between Restricted Registered Notes and Unrestricted Registered Notes

The Restricted Registered Notes will bear a legend to the effect set forth in “Subscription and Sale — Transfer Restrictions”. Book-Entry Interests in the Restricted Registered Notes will be subject to the restrictions on transfers and certification requirements discussed under “Subscription and Sale — Transfer Restrictions”.

Transfer of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to such transfer restrictions.

Book-Entry Interests in the Restricted Registered Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Unrestricted Registered Note, only upon delivery by the transferor of a written certification (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act. Book-Entry Interests in the Unrestricted Registered Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Restricted Registered Note, only upon delivery by the transferor of written certification (in the form provided in the Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under the caption “Subscription and Sale — Transfer Restrictions” and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred to a person who takes delivery in the form of a Book-Entry Interest in a Registered Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Registered Note and become a Book-Entry Interest in the latter mentioned Registered Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the latter mentioned Registered Note for as long as it remains such a Book-Entry Interest.

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither any Issuer, the Fiscal Agent, the Registrar, any Paying Agent, any Dealer or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg and DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

Subscription and Sale

Summary of Programme Agreement

Subject to the terms and on the conditions contained in a Programme Agreement dated 7 October 2005, the (“Programme Agreement”) between the Issuer, the Programme Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Programme Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Programme Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

If the Issuer accepts an offer to purchase Notes in relation to a syndicated transaction, the terms of any such agreement between the Issuer and two or more Dealers shall be set out in a subscription agreement. If the Issuer accepts an offer to purchase Notes in relation to a non-syndicated transaction, the relevant Dealer shall send the Purchase Information (meaning, in relation to any such Tranche the terms of such Notes and of their issue agreed between the Issuer and such Dealer, the “Purchase Information”) to the Issuer by telephone or fax (and, if by telephone or fax, confirm it in writing within one Business Day). The relevant Dealer will simultaneously send the Purchase Information to the Fiscal Agent by telephone, fax or other acceptable means. The Issuer shall also confirm the Purchase Information by fax to the relevant Dealer and the Fiscal Agent within one Business Day of receiving it from such Dealer. In relation to both syndicated and non-syndicated transactions, dealing will begin as agreed between the Issuer and the relevant Dealer(s), which may or may not be before such notification is made.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by such Dealer. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The total expenses (including but not limited to dealer commissions) in respect of an issue of Notes will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Market-Making Transactions

One or more subsidiaries of the Issuer may purchase and resell Notes in market-making transactions after their initial issuance. The Issuer may also purchase Notes in the open market or in private transactions to be held by the Issuer or cancelled. All such activities are to be in compliance with the Selling Restrictions (below) and applicable laws and regulations.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“**Regulation S**”) or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented that it has offered and sold, and agreed that it will offer and sell Notes of any Series (1) as part of their distribution at any time and (2) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Notes are a part, as determined, and certified to the Issuer and each Relevant Dealer, by the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act or Rule 144A as set forth below. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed

selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates has also agreed to notify the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager, when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other Relevant Dealers of the end of the distribution compliance period. Each Dealer and its affiliates has also agreed that, at or prior to confirmation of sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Notes are a part, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented it has not entered and agreed that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

Each Dealer has represented and agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Notes in the United States.

Only registered notes may be offered or sold in the United States pursuant to an exemption under the Securities Act.

The Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Notes in the United States to Qualified Institutional Buyers (as defined in Rule 144A).

In addition, unless the Purchase Information or the subscription agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is “not applicable”, each Dealer has represented and agreed in relation to each Tranche of Bearer Notes and the Exchangeable Bearer Notes:

(a) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the “D Rules”):

- it has not offered or sold, and during the restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person
- it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period

(b) it has and agrees that throughout the restricted period it shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules

(c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6)

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in Clauses (a), (b) and (c) of this paragraph on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in Clauses (a), (b) and (c) of this paragraph and

- it shall obtain for the benefit of the Issuer the representations and agreements contained in Clauses (a), (b), (c) and (d) of this paragraph from any person other than its affiliate with whom it enters into a written contract, as defined in U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(4), for the offer or sale during the restricted period of Notes in bearer form.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Notes in bearer form with a maturity of one year or less may be subject to special rules, which shall be described in the applicable Final Terms.

In connection with any sales of Notes to employee benefit plans, each Dealer will comply with the restrictions set out under “ERISA Considerations” above.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions the Relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient

information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer;
- (b) in relation to any Notes having a maturity of less than one year from 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 such 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 FSMA by the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Until the Prospectus Directive is implemented in France, each of the Dealers has represented and agreed that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any Notes by way of a public offering in France (an *appel public à l'épargne*, as defined in Article L.411-1 and Article L.411-2 of the French *Code monétaire et financier*).

As from the date of the implementation in France of the Prospectus Directive, any selling restrictions that may be applicable to offerings and sales of Notes in France, in addition to the selling restriction set out in "— European Economic Area" above, shall be set out in the relevant Final Terms.

Netherlands

In addition to the selling restriction set out in "— European Economic Area" above, Zero Coupon Notes in definitive form or other Notes that qualify as savings certificates as defined in the Savings Certificates Act of 21 May, 1985 (*Wet inzake Spaarbewijzen*) in definitive form may only be transferred and accepted through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. in accordance with the Savings Certificates Act. Such restrictions do not apply (a) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, (b) to the transfer and acceptance of Zero Coupon Notes in definitive form within The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in the Zero Coupon Instruments in global form) are issued outside The Netherlands and are not distributed within The Netherlands in the course of initial distribution or immediately thereafter or (c) to the initial issue of such Instruments to the first holders thereof. If the Savings Certificates Act is applicable, certain identification requirements in relation to the issue, transfer of or payment on the Zero Coupon Notes will have to be complied with. For the purposes of this paragraph "Zero Coupon Notes" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due prior to maturity or on which no interest is due whatsoever.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, 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 other relevant laws, regulations and guidelines of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Ireland

Each Arranger and each Dealer has represented, warranted and agreed that:

(a) except in the circumstances referred to above in the section entitled “European Economic Area”, it has not offered or sold (or issued or distributed any documentation offering or selling) and will not offer or sell (or issue or distribute any documentation offering or selling) any Notes other than pursuant to a “prospectus” approved and filed with the Irish Financial Services Regulatory Authority (or any delegated Competent Authority (as defined in the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (the “Irish Prospectus Regulations”))) pursuant to the Irish Prospectus Regulations and Irish Prospectus law (as such term is defined in the Irish Investment Funds, Companies and Miscellaneous Provisions Act, 2005); and

(b) to the extent applicable, it has not and will not offer to sell any Notes other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation and Irish market abuse law (as such term is defined in the Investment Funds, Companies and Miscellaneous Provisions Act, 2005); and

(c) it has complied with and will comply with all applicable provisions of the Irish Investment Intermediaries Act, 1995 (as amended) including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and 50 and will conduct itself in accordance with any codes of conduct (drawn up pursuant to Section 37) with respect to anything done by it in relation to the Notes.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in Italy in a solicitation to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Prospectus, Offering Circular or any other document relating to the Notes in Italy except to “professional investors”, as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended (“Regulation No. 11522”), pursuant to Article 30, paragraph 2 and Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (“Decree No. 58”), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended applies. Any such offer, sale or delivery of the Notes or distribution of copies of the Prospectus, Offering Circular or any other document relating to the Notes in Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (“Decree No. 385”), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;

(b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy (Istruzioni di Vigilanza della Banca d’Italia), pursuant to which, *inter alia*, the issue and

offer of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption applies, depending, *inter alia*, on the aggregate amount and the characteristics of the Notes issued or offered in Italy; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Spain

Each Dealer has represented and agreed that the Notes may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of Law 24/1988, of 28 July, on the Securities Market (Ley 24/1988, de 28 de julio, del Mercado de Valores) as amended and restated, and Royal Decree 291/1992, of 27 March, on Issues and Public Offerings of Securities (Real Decreto 291/1992, de 27 marzo, sobre Emisiones y Ofertas Públicas de Venta de Valores) as amended and restated and the decrees and regulations made thereunder. Neither the Notes, the Prospectus nor the Offering Circular have been verified or registered in the administrative registries of the National Stock Exchange Commission (Comisión Nacional de Mercado de Valores).

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, Offering Circular and/or any other offering material.

Although application has been made to list the Notes on the Irish Stock Exchange, the Notes constitute a new issue of securities with no established trading market. No assurance can be given as to the liquidity of, or the trading markets for, the Notes. Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price set forth in a Final Terms. The Issuer has been advised by the Dealers that they intend to make a market in the Notes, but they are not obligated to do so and may discontinue such market-making at any time without notice.

Transfer Restrictions

Rule 144A Notes

Each purchaser of Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A ("QIB"), (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) The Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by

Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(3) Such Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUER (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

THE PURCHASER OF THIS SECURITY EITHER (I) IS NOT ACQUIRING NOTES WITH "PLAN ASSETS" OF AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY OR (II) THE ACQUISITION, HOLDING AND DISPOSITION OF NOTES IS ELIGIBLE FOR RELIEF UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION (PTCE) 84-14, PTCE 90-1, PTCE 91-38, PTCE 95-60 OR PTCE 96-23.

(4) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) It understands that Notes offered in reliance on Rule 144A will be represented by a Restricted Global Registered Note. Before any interest in a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note of the same Series, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(6) It either (i) is not acquiring Notes with "plan assets" of an employee benefit plan or other plan subject to the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended (each, a "Plan"), or an entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity or (ii) the acquisition, holding and

disposition of Notes is eligible for relief under Prohibited Transaction Class Exemption (PTCE) 84-14, PTCE 90-1, PTCE 91-38, PTCE 95-60 or PTCE 96-23.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period (as used in "Subscription and Sale"), by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED, (THE "SECURITIES ACT") THIS NOTE IS BEING OFFERED OUTSIDE THE UNITED STATES AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS THOSE TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT.)"

(4) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(5) It understands that Notes in registered form offered in reliance on Regulation S will be represented by an Unrestricted Global Registered Note. Prior to the expiration of the distribution compliance period, before any interest in a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note of the same Series, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Listing and General Information

- (1) Throughout the life of the Prospectus from the date hereof, copies of the following documents in printed form in English (including English translations of any document not originally in English) may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the registered offices of each of the Paying Agents:
 - (a) the constitutive documents of the Issuer;
 - (b) the documents incorporated by reference in the Prospectus referred to under "Prospectus and Offering Circular"; and
 - (c) the Agency Agreement.
- (2) The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes. Resolutions authorizing the issue and sale of the Notes were adopted by the executive committee of the Issuer's board of directors effective as of January 20, 2005.
- (3) Except as disclosed in this Prospectus, as of the date of this Prospectus, there has been no significant change in the consolidated financial or trading position of AIG nor any material adverse change in the prospects of AIG since December 31, 2005.
- (4) Except as disclosed in this Prospectus, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this document, that may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer and its subsidiaries.
- (5) Each Bearer Note, Receipt, Coupon and Talon that is not a TEFRA Non-Certification Note will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code". Each Bearer Note, Receipt, Coupon and Talon that is a TEFRA Non-Certification Note will bear the following legend: "By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and the Regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and the Regulations thereunder)".
- (6) The Bearer Notes and Registered Notes represented by the Temporary Global Note, Permanent Global Note and Unrestricted Global Registered Note have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms. The Common Code for each Series of Bearer Notes, together with the relevant ISIN number and the CUSIP number for each Series of Registered Notes, will be contained in the Final Terms relating thereto. In addition, the Issuer will make an application with respect to any Restricted Registered Notes of a Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Registered Notes of each Tranche of a non-Bearer Series will be confirmed in the applicable Final Terms. The Issuer does not intend to provide any post-issuance information with regard to derivative securities. Any supplement to this base prospectus will be made available in printed form to the public at the offices of the Irish Stock Exchange.
- (7) On June 3, 2003 the Council of Economic and Finance Ministers of the European Union adopted a Directive regarding the taxation of savings income. Under EC Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other

Member States details of payment of interest and (or other similar income) paid by a person to an individual resident in that other Member State. However, during a transitional period (the “Transitional Period”), Austria, Belgium and Luxembourg will instead operate a withholding system unless they elect otherwise. The rate of such withholding tax will be 15% during the first three years, 20% during the subsequent three years and 35% until the end of the Transitional Period. The Transitional Period commenced on 1 July 2005 and will terminate after agreement on exchange of information is reached between the European Union and certain non-European states (including the United States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra).

Persons considering the purchase of Notes should consult their own advisors concerning application of the Directive to their particular situation.

(8) The EU Transparency Obligations Directive (the “Directive”) may be implemented in a manner which is unduly burdensome for the Issuer. In particular, the Issuer may be required to prepare its financial statements in accordance with International Financial Reporting Standards for accounting periods beginning on or after 1 January, 2005.

Although no final decision has been made, in the event the Issuer is required under the Directive to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than U.S. generally accepted accounting principles because of the continued listing of the Notes on either the current or future market of the Irish Stock Exchange on which they are traded or any other stock exchange, or in the event that the listing becomes otherwise unduly burdensome, the Issuer may elect to apply for a delisting of the Notes from the Irish Stock Exchange (or the section thereof) or any other stock exchange on which they are traded.

In such event, the Issuer will use all reasonable endeavours to seek a replacement listing on another section of the Irish Stock Exchange or another stock exchange (including any section thereof) which does not amount to a “regulated market” for the purposes of the Directive (and which may be outside the European Union, provided that it is a member of the International Federation of Stock Exchanges and that it is located in a state that is a member of the Organisation for Economic Co-operation and Development), provided that obtaining or maintaining a listing on such market of such stock exchange (whether or not outside the European Union) would not be unduly burdensome, including, without limitation, because it would require the Issuer to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than U.S. generally accepted accounting principles.

In the event that no listing is obtained or maintained which satisfies the foregoing requirements, the Issuer will use all reasonable endeavours to obtain a replacement listing elsewhere.

Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange, delisting the Notes from the current market of the Irish Stock Exchange on which they are traded or any other stock exchange may have a material effect on the ability of Noteholders to resell Notes in the secondary market.

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Legal Advisers

To the Issuer

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in respect of U.S. law

*in respect of Irish law and as
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in respect of English and U.S. law

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Dealers

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