

ANNEX 1

INFORMATION ON DEXIA PUBLIC FINANCE ORDER EXECUTION POLICY

Dexia Public Finance Bank (“DPFB”), which is the trading name of Dexia Credit Local, London Branch, is required to establish and implement effective arrangements, including an order execution policy, which are designed to enable us to obtain the best possible result (or “best execution”) on behalf of our professional clients.

The purpose of this document is to provide our clients with information on DPFB’s order execution policy.

Scope of DPFB’s order execution policy

DPFB’s order execution policy only applies to its professional clients and where DPFB is executing orders on a client’s behalf. The order execution policy only applies to derivative instruments; DPFB does not execute client orders in respect of any other financial instrument, nor does it receive and transmit orders on its client's behalf.

The derivative instruments DPFB enters into include interest rate swaps (fixed and floating), and RPI linked swaps. They may range from vanilla products to more complex instruments depending on the requirements of the individual client.

Executing orders on a Professional Client’s behalf

DPFB owes professional clients an obligation to take all reasonable steps to obtain best execution when it executes orders on their behalf. It regards itself to be typically in receipt of an order and acting on a client's behalf where the client legitimately relies on DPFB to protect its interests in relation to the pricing or other elements of the transaction that may be affected by DPFB. This will include the following situations:

- executing an order by dealing as agent for a client; and
- executing an order by dealing as a riskless principal on behalf of a client.

An "order" in the context of DPFB's business includes where a client enters into a swap with DPFB as a hedge for its borrowing, or where a client wishes to enter into a stand alone derivative product.

DPFB will not be executing orders on a client's behalf where: (i) the client transacts with DPFB, either on the basis of a published quote, or one provided in response to a ‘request for quote’ enquiry; or (ii) DPFB does not have a client relationship with the client but deals with it as a counterpart and negotiates the terms of a transaction in

which it deals with the client as principal for its own account. In these circumstances DPFB will not owe the client best execution.

Specific instructions from Professional Clients

Where the client provides DPFB with a specific instruction in relation to the execution of an order on its behalf, DPFB will execute the order in accordance with those instructions. Where the specific instructions relate to only part of the order, in following those instructions DPFB will be deemed to have taken all reasonable steps to provide best execution in respect of that part of the order. In respect of those aspects of the order not covered by specific instructions, DPFB will apply its order execution policy accordingly.

Where the client provides DPFB with a specific instruction this may prevent it from taking some or all of the steps in its order execution policy that are designed to obtain the best possible result for the execution of the order in respect of the elements covered by those instructions.

Execution Factors

When executing orders on a client's behalf DPFB will take account of the following execution factors: price; costs; speed; size; nature; or any other consideration relevant to the execution of the orders, for example, the availability of liquidity. DPFB may also take into account any other consideration relevant to the execution of an order.

In determining the relative importance of the execution factors DPFB will apply its commercial judgement and expertise, in light of the prevailing market conditions, as well as taking into account: (i) the characteristics of the client; (ii) the characteristics of the order; (iii) the characteristics of the financial instruments that are the subject of the order; and (iv) the characteristics of the execution venues to which the order can be directed.

In many circumstances price will merit a high relative importance in obtaining best execution. However, in some circumstances DPFB may judge that the other execution factors listed above will be more important than price in obtaining the best possible result.

Benchmarking

All derivative contracts entered into with DPFB are benchmarked by the relevant client to ensure that the terms of the contract offered is "on market" or "best value", as applicable.

DPFB will monitor and review the effectiveness of its order execution arrangements and execution policy. A review will be carried out at least annually or when a

material change occurs that affects our ability to continue to obtain the best possible result for its clients.

Clients will be notified of any material changes to DPFB's execution arrangements or its order execution policy via letter or email, included within which will be a link to its website www.uk-dexia.com, where an updated version of this document will be published.

Consent

DPFB is required to obtain each client's prior consent to its order execution policy. Such consent will be deemed to be provided by each client when it places an order on or after 1 November 2007.