

SANTANDER INTERNATIONAL PRODUCTS PUBLIC LIMITED COMPANY

(Incorporated with limited liability in Ireland but with its tax residence in the Kingdom of Spain)

EUR 10,000,000,000 Euro Medium Term Note Programme guaranteed by

BANCO SANTANDER, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

This base prospectus ("**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the notes (the "**Notes**") which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the "**Regulated Market**") or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

This Base Prospectus, as approved and published by the Central Bank, in accordance with the requirements of the Prospective Directive, comprises a Base Prospectus for the purposes of the Prospectus Directive and the Prospectus (Directive 2003/71/EC) Regulations 2005, and for the purpose of giving information with regard to the issue of Notes issued under the Euro Medium Term Note Programme (the "**Programme**") described herein, during the period of twelve months after the date hereof.

This document has also been approved as listing particulars (the "**Listing Particulars**") by the Irish Stock Exchange pursuant to its listing and admission to trading rules (the "**Listing Rules**") for the purpose of providing information with regard to the issue of Notes issued under the Programme described herein, to be admitted to trading on the Global Exchange Market ("**GEM**") during the twelve month period following the date hereof.

This Base Prospectus and these Listing Particulars are referred to collectively herein as the "**Offering Circular**".

The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Banco Santander, S.A. (the "**Guarantor**" or the "**Bank**" or "**Banco Santander**"), provided the Bank executes the relevant Pricing Supplement or Final Terms (as applicable) in relation to the relevant Notes. The aggregate principal amount of Notes outstanding and guaranteed will not at any time exceed EUR 10,000,000,000 (or the equivalent in other currencies). Particulars of the dates of, parties to and general nature of each document to which the Issuer is a party (the "**Transaction Documents**") are set out in various sections of this Offering Circular.

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on (a) the Regulated Market, or (b) the GEM, as set out in the applicable Final Terms (as defined below) or Pricing Supplement (as defined below) as the case may be. The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Prospective investors should note that the Issuer is incorporated in Ireland but tax-resident in Spain. Potential purchasers should note the statements on pages 281 to 284 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 13/1985, as amended, on the Issuer and the Guarantor relating to the Notes. Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

Investors should be aware that the Issuer is not regulated by the Central Bank and that any investment in the Notes will not have the status of a bank deposit and is therefore not within the scope of the deposit protection scheme operated by the Central Bank.

Series of Notes issued under the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Where a series of Notes is rated, the applicable rating(s) of a relevant Series of Notes to be issued under the Programme will be specified in the Final Terms/Drawdown Prospectus or Pricing Supplement/Drawdown Listing Particulars (as applicable). Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 as amended (the "**CRA Regulation**") will be disclosed in the applicable Final Terms/Drawdown Prospectus or Pricing Supplement/Drawdown Listing Particulars (as applicable). The list of credit rating agencies registered under the CRA Regulation (as updated from time to time) is published on the website of the ESMA (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>).

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 (as amended) ("CRA Regulation") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Fitch Ratings, Ltd. and Moody's Investors Service España, S.A. are established in the European Union and are registered under the CRA Regulation. Standard & Poor's Ratings Services is not established in the European Union and is not registered under the CRA Regulation but has been operating in the European Union before 7 June 2010. Credit ratings may be adjusted over time, and there is no assurance that these credit ratings will be effective after the date of this Base Prospectus. A credit rating is not a recommendation to buy, sell or hold any Securities.

Arranger and Dealer

BANCO SANTANDER, S.A.

Dealers

BOFA MERRILL LYNCH
CITIGROUP
DEUTSCHE BANK
HSBC

CRÉDIT AGRICOLE CIB
GOLDMAN SACHS INTERNATIONAL
MORGAN STANLEY
UBS INVESTMENT BANK

29 July 2013

IMPORTANT NOTICES

*Each of the Issuer and the Guarantor (together, the "**Responsible Persons**") accepts responsibility for the information contained in this Offering Circular and declares that, having made all reasonable enquiries confirms that having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

This Offering Circular should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement or Final Terms (as defined herein).

The Issuer and the Guarantor have confirmed to the Dealers named under "Plan of Distribution" below that this Offering Circular contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

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, the Guarantor or any of the Dealers (as defined in "Plan of Distribution"). Neither the delivery of this Offering Circular 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 or the Guarantor since the date hereof or the date upon which this document has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this document 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.

*Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in either (A) in the case of Notes to be admitted to trading on the Regulated Market, (i) the final terms (the "**Final Terms**"), or (ii) a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") (as described under "Applicable Transaction Terms and Drawdown Prospectuses or Drawdown Listing Particulars" below), or (B) in the case of Fund Linked Notes and Index Linked Notes or any other Notes to be admitted to trading on the GEM, (i) a pricing supplement (the "**Pricing Supplement**", and together with the Final Terms, the "**Applicable Transaction Terms**"), or (ii) separate listing particulars specific to such Tranche (the "**Drawdown Listing Particulars**"). In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus or Drawdown Listing Particulars (as applicable), each reference in this Offering Circular to information being specified or identified in the relevant Applicable Transaction Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus or Drawdown Listing Particulars (as applicable) unless the context requires otherwise. With respect to Notes to be listed on the Regulated Market of the Irish Stock Exchange or the GEM, the Applicable Transaction Terms will be delivered to the Central Bank or the Irish Stock Exchange (as the case may be) on or before the date of issue of the Notes of such Tranche.*

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Dealers to inform themselves about and to observe any such restriction

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to*

certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "Plan of Distribution".

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

The Dealers have not separately verified the information contained in this Offering Circular. None of the Dealers 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 other 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 Guarantor or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers undertakes to review the financial condition or affairs of the Issuer or the Guarantor 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.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 10,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euros at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement, as defined under "Plan of Distribution".

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "EUR", "Euro", "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, and to "U.S.\$", "U.S. dollars" and "dollars" are to the lawful currency of the United States of America.

This Offering Circular has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes.

Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in this Offering Circular as completed by Final Terms or a Drawdown Prospectus in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer 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 and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms or is a Drawdown Prospectus which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms or drawdown prospectus, as applicable.

Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression "Prospectus Directive" means Prospectus Directive 2003/71/EC (as amended).

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE 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 TRANSACTION TERMS MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE 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 AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE APPLICABLE TRANSACTION 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. ANY STABILISATION-ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

This Offering Circular describes certain Spanish tax implications and tax information procedures in connection with an investment in the Notes (see "*Risk Factors – Risks in Relation to the Notes – Risks in Relation to Spanish Taxation*", "*Taxation in Spain*" and "*Taxation and Disclosure of Information in connection with Payments*"). Holders of Notes must seek their own advice to ensure that they comply with all procedures to ensure correct tax treatment of their Notes.

The language of this Offering Circular is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Offering Circular.

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KEY FEATURES OF THE PROGRAMME

The following 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 this Offering Circular as a whole, the Applicable Transaction Terms and the documents incorporated by reference.

Information relating to the Issuer

The Issuer: Santander International Products plc.

Santander International Products plc. was registered and incorporated on 25 June 2004 under the Irish Companies Acts 1963 - 2009, registration number 387937 for an indefinite period. The Registered Office of the Issuer is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2.

Business: The principal objects of the Issuer are set forth in Clause 3 of its Memorandum of Association and are the issuance of *participaciones preferentes* (preferred securities) and other financial instruments.

So long as any of the Notes of the Issuer remain outstanding, the Issuer will be subject to certain restrictions on entering into any business, as more fully described in Condition 5 (*Negative Pledge*) of the Terms and Conditions of the Notes.

Directors: The Directors of the Issuer are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Adrian Masterson	Director
Wafi Saleh	Director
Antonio Torío Martín	Director
Carmen del Pozo Sainz	Director
Francisco Javier Armada Bravo	Director

Information Relating to the Guarantor

The Bank and the Group

Banco Santander, S.A. is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 289 00 00.

The Guarantor was incorporated in Spain and has the legal form of a public limited liability company (*sociedad anónima*) and is subject to the Spanish Corporations Law. Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the Bank of Spain in particular.

Business: The Guarantor and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other Latin American countries and the US, offering wide range of financial products.

As of 31 December 2012, the Group had 58,074

employees and 6,437 branch offices in Continental Europe, 26,186 employees and 1,189 branches in the United Kingdom, 90,576 employees and 6,044 branches in Latin America, 9,525 employees and 722 branches in the United States and 2,402 employees in other geographic regions.

At 31 December 2012, the Group had a market capitalisation of €63.0 billion, stockholders' equity of €74.65 billion and total assets of €1,269.6 billion. The Group had an additional €118.1 billion in mutual funds, pension funds and other assets under management at that date.

Directors and Employees

The members of the Board of Directors of the Bank as of the date of this Offering Circular are as follows:

Mr. Emilio Botín Sanz de Sautuola y García de los Ríos
Mr. Fernando de Asúa Álvarez
Mr. Matías Rodríguez Inciarte
Mr. Guillermo de la Dehesa Romero
Mr. Javier Marín Romano
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea
Mr. Javier Botín-Sanz de Sautuola y O'Shea
Lord Burns (Terence)
Mr. Vittorio Corbo Lioi
Mr. Rodrigo Echenique Gordillo
Ms. Esther Giménez-Salinas i Colomer
Mr. Ángel Jado Becerro de Bengoa
Mr. Abel Matutes Juan
Mr. Juan Rodríguez Inciarte
Ms. Isabel Tocino Biscarolasaga
Mr. Juan Miguel Villar Mir

The Executive Officers of the Bank as of the date of this Offering Circular are as follows:

Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos
Mr. Matías Rodríguez Inciarte
Mr. Javier Marín Romano
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea
Mr. Juan Rodríguez Inciarte

Description of the Programme

Description:

Guaranteed Euro Medium Term Note Programme (the "**Programme**").

Arranger:

Banco Santander, S.A.

Dealers:

Banco Santander, S.A., Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Société Générale and UBS Limited.

The Issuer may from time to time terminate the appointment of any Dealers under the Programme or appoint additional dealers either in respect of a single Tranche or in respect of the Programme.

- Principal Paying Agent: The Bank of New York Mellon, acting through its London Branch
- Registrar: The Bank of New York Mellon (Luxembourg) S.A.
- Listing: The Offering Circular has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive 2003/71/EC. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to its Official List and trading on its Regulated Market of the Irish Stock Exchange, if so specified in the relevant Final Terms. This Offering Circular has also been approved as Listing Particulars by the Irish Stock Exchange pursuant to the Listing Rules. Application has also been made to the Irish Stock Exchange for the Notes to be admitted to its Official List and trading on the GEM if so specified in the relevant Pricing Supplement. Notes may be admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system, as may be agreed between the Issuer and the relevant Dealer and as specified in the relevant Applicable Transaction Terms.
- Size: Up to EUR 10,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
- Currencies: Notes may be denominated in Euro or U.S. dollars or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
- Maturities: Any maturity, subject to compliance with all relevant laws, regulations, central bank requirements and directives.
- Any Notes issued with an original legal maturity of less than one year must comply with the Central Bank's notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 as amended (BSD C01/02) and, *inter alia*, have a minimum Specified Denomination of Euro 125,000. In addition such Notes must bear the following legend:
- "An investment in the Notes does not have the status of a bank deposit and does not have the protection of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes."

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their 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, or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Denomination:

Notes may only be issued which have a minimum denomination equal to or above the amount set out at Article 3(2)(d) of Prospectus Directive 2003/71/EC, as the same may be amended from time to time, including as amended by the 2010 PD Amending Directive. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Applicable Transaction Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Final Terms/Drawdown Prospectus or Pricing Supplement/Drawdown Listing Particulars:

Notes issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated Applicable Transaction Terms, or (2) pursuant to a Drawdown Prospectus or Drawdown Listing Particulars (as applicable). The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as (i) completed by the relevant Final Terms in the case of Notes admitted to trading on the Regulated Market of the Irish Stock Exchange, (ii) completed by the relevant Pricing Supplement in the case of Notes admitted to trading on the GEM, or (iii) supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus or Drawdown Listing Particulars, as the case may be.

Method of Issue:

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in one or more Series (which may be issued on the same date or which may be issued in more than one Tranche on different dates). The Notes may be issued in Tranches on a continuous basis with no minimum issue size, subject to compliance with all applicable laws, regulations and directives. Further Notes may be issued as part of an existing Series.

Form of Notes:

Notes may be issued in registered form, without interest coupons ("**Registered Notes**"), or in bearer form, with or without interest coupons ("**Bearer Notes**").

In the case of Registered Notes, the Issuer will deliver (i) an Unrestricted U.S. or International Global Note Certificate (as defined below) and/or (ii) a Restricted U.S. or International Global Note Certificate (as defined below), as specified in the relevant Applicable Transaction Terms.

Notes initially sold to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A will, unless otherwise specified in the Applicable Transaction Terms, be available only in book-entry form, and will be represented by a restricted global note certificate (a "**Restricted Global Note Certificate**") registered in the name of a nominee for, and deposited with or on behalf of, (i) DTC, or (ii) a common depository or, as the case may be, a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme, ("**Clearstream, Luxembourg**") (and together with Euroclear, the "**ICSDs**").

Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S will, unless otherwise specified in the Applicable Transaction Terms, be available only in book-entry form and will be represented by an unrestricted global note certificate (an "**Unrestricted Global Note Certificate**").

Notes represented by an Unrestricted Global Note Certificate may be either (a) registered in the name of a nominee for DTC and deposited on or about the relevant issue date with the custodian for DTC, or (b) (in the case of a Certificate that is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**") registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depository, or (c) (in the case of a Certificate that is to be held under the New Safekeeping Structure) registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper, in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby.

On or prior to the 40th day after the later of the commencement of the offering and the date of delivery of the Notes of each Series, beneficial interests in an Unrestricted Global Note Certificate representing Notes of such Series may be held only through Euroclear or Clearstream, Luxembourg.

Beneficial interests in Notes evidenced by a Restricted Global Note Certificate or an Unrestricted Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct or indirect participants (including Euroclear and Clearstream, Luxembourg).

Except as described herein, Individual Note Certificates (as defined herein) will not be issued in exchange for

beneficial interests in Registered Global Note Certificates. See "*Form of Notes - Registered Global Note Certificates*".

Bearer Notes will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the Applicable Transaction Terms, initially be represented by a Temporary Global Note without interest coupons attached, deposited:

(a) in the case of a global note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Applicable Transaction Terms, with or on behalf of a common depository located outside the United States for Euroclear and Clearstream, Luxembourg;

or (b) in the case of a global note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Applicable Transaction Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in a Temporary Global Note will be exchangeable (i) for interests in a permanent global Note in bearer form, without coupons (a "**Permanent Global Note**"), (ii) in whole but not in part for definitive Notes in bearer form (each, a "**Definitive Bearer Note**") or (iii) directly for interests in a Registered Global Note Certificate, following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Notes may be exchangeable for Registered Global Note Certificates. Registered Notes will not be exchangeable for Bearer Notes.

Issue Price:

Notes may be issued at their principal amount or at a premium to their principal amount. Partly-paid Notes may also be issued, the Issue Price of which will be payable in two or more instalments. The Issue Price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Fixed Interest Rate Notes:

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

Floating Rate Notes:

Floating Rate Notes will bear interest set separately for each Series by reference to EURIBOR, LIBOR, LIBID or LIMEAN (or, in the case of Notes to be admitted to trading on the GEM, such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Applicable Transaction Terms.

Variable Coupon Amount Notes:	The Applicable Transaction Terms issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to equity, a constant maturity swap, inflation, an index, a fund or a formula or as otherwise provided in the relevant Applicable Transaction Terms (or in the case of Notes linked to an index, fund or any other Notes to be admitted to trading on the GEM, as set out in the relevant Pricing Supplement).
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. All such information will be set out in the relevant Applicable Transaction Terms.
Variable Redemption Amount Notes:	The Applicable Transaction Terms issued in respect of each issue of variable redemption amount Notes will specify the basis for calculating the redemption amounts payable, which may be by reference to equity, a constant maturity swap, inflation, an index, a fund or a formula or as otherwise provided in the relevant Applicable Transaction Terms (or in the case of Notes linked to an index, fund or any other Notes to be admitted to trading on the GEM, as set out in the relevant Pricing Supplement).
Redemption by Instalments:	The Applicable Transaction Terms issued in respect of each issue of Notes which are redeemable in two or more instalments will set out the date on which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes and any other type of Note which the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the Pricing Supplement or in a Drawdown Prospectus or Drawdown Listing Particulars (as applicable).
Optional Redemption:	The Applicable Transaction 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.
Status of the Notes and the Guarantee:	The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor, respectively as described in " <i>Terms and Conditions of the Notes—Guarantee and Status</i> ".
Negative Pledge:	The Notes will contain a negative pledge as more fully set out in " <i>Terms and Conditions of the Notes—Negative Pledge</i> ".
Cross Default:	The Notes will contain a cross default in respect of Indebtedness for Borrowed Money of the Issuer and the Guarantor as defined, and more fully set out in " <i>Terms and</i>

Conditions of the Notes—Events of Default".

Early Redemption:

Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons.

Withholding Tax:

Spain

Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will (subject to certain exceptions described below) pay such additional amounts as will result in the Noteholders or Couponholders receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.

In addition to certain customary exceptions, no such additional amounts shall be payable in certain circumstances - see Condition 9 ("*Terms and Conditions of the Notes - Taxation*") of the relevant Notes and "*Taxation and Disclosure of Information in Connection with Payments*").

Ireland

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which could include interest paid on the Notes. However, certain exemptions from withholding on interest payments exist. See Condition 9 ("*Terms and Conditions of the Notes - Taxation*") of the relevant Notes and "*Taxation and Disclosure of Information in Connection with Payments - Ireland - Withholding*."

Information requirements under Spanish Law:

Under Spanish Law 13/1985 and Royal Decree 1065/2007 as amended, the Issuer, and Guarantor are required to provide to the Spanish tax authorities certain information relating to the Notes.

If the Principal Paying Agent fails to provide the Issuer with the required information described under "*Taxation and Disclosure of Information in Connection with Payments—Taxation in Spain*" in respect of the Notes, the Issuer may be required to withhold tax and may pay income in respect of such principal amount net of the Spanish withholding tax applicable to such payments (currently at the rate of 21 per cent.).

None of the Issuer, the Guarantor, the Arranger, the Dealers, or the ICSDs assumes any responsibility therefore.

Governing Law:

The Notes, the Deed of Covenant, the Deed of Guarantee and all non-contractual obligations arising out of or in connection with them are governed by, and construed in

accordance with, English law, save for the status of the guarantee, which is governed by Spanish law.

Rule 144A:

Offers and sales in accordance with Rule 144A under the Securities Act will be permitted if specified in the relevant Applicable Transaction Terms, subject to compliance with all relevant legal and regulatory requirements of the United States of America.

Selling Restrictions:

United States, United Kingdom, Ireland, Spain, Japan and the European Economic Area. See "*Plan of Distribution*".

In connection with the offering and sale of a particular Tranche of Notes, additional selling restrictions may be imposed which will be set out in the Pricing Supplement.

Risk Factors:

Prospective investors should understand the risks of investing in any type of Note before they make their investment decision. They should make their own independent decision to invest in any type of Note and as to whether an investment in such Note is appropriate or proper for them based upon their own judgment and upon advice from such advisors as they consider necessary.

For a description of certain risks involved in investing in the Notes, see "*Risk Factors*".

Risk factors are designed both to protect investors from investments from which they are not suitable and to set out the financial risks associated with an investment in a particular type of Note.

Representation of Noteholders:

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Guarantor and the industry(ies) in which each of them operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" (including "Annex 1 – Provisions Relating to Equity Linked Notes", "Annex 2 – Provisions Relating to Inflation Linked Notes" and "Annex 3 – Provisions Relating to Fund Linked Notes") below or elsewhere in this Offering Circular have the same meanings in this section.

Notes may be issued under the Programme which are Fund Linked Notes, Index Linked Notes, CMS Linked Notes, Inflation Linked Notes, Equity Linked, commodity linked or other structured Notes ("**Structured Notes**"). In respect of any Credit Linked Notes, Fund Linked Notes or Index Linked Notes, the relevant terms of such Notes will be specified in the relevant Pricing Supplement, Drawdown Listing Particulars or Drawdown Prospectus (as applicable). The relevant terms of any Inflation Linked Notes or Equity Linked Notes will be specified in the Applicable Transaction Terms or in a Drawdown Prospectus or Drawdown Listing Particulars (as applicable). An investment in such Structured Notes may involve a number of risks, some of which are referred to below (see "Risk Factors Relating to Structured Notes") and which are not associated with investment in a conventional debt security. The amount paid by the Issuer or the Guarantor, as the case may be, on redemption of the Structured Notes may be less than the principal amount of the Structured Notes and may in certain circumstances be zero. Potential investors should ensure that they fully understand all of the risks prior to making any investment decision. Potential investors should seek independent financial advice prior to investing in Structured Notes.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular and their personal circumstances.

Risk Factors 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 and the Guarantor. Although application has been made to the Main Securities Market of the Irish Stock Exchange Limited for the Notes to be admitted to its Official List of the Irish Stock Market and trading on its regulated market or on the GEM, there is no assurance that such application 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 Issue Price may be greater than the market value of the Notes.

The Issue Price specified in the relevant Applicable Transaction Terms may be more than the market value of the Notes as at the Issue Date, and the price, if any, at which a Dealer or any other person is willing to purchase the Notes in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may take into account amounts with respect to commissions relating to the issue and sale of the Notes as well as amounts relating to the hedging of the Issuer's obligations under the Notes, and secondary market prices are likely to exclude such amounts. In addition, whilst the proprietary pricing

models of Dealers are often based on well recognised financial principles, other market participants' pricing models may differ or produce a different result.

The Notes may be redeemed by the Issuer prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Applicable Transaction Terms specify otherwise, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Spain or any political subdivision thereof or any authority therein or thereof having power to tax, 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 Applicable Transaction 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 equivalent Notes.

The Notes may be redeemed below par

The redemption amount of the Structured Notes may be less than the principal amount of the Structured Notes and may in certain circumstances be zero.

In the case of Global Notes held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communications with the Issuer and/or the Guarantor

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes, unless otherwise specified in the relevant Applicable Transaction Terms, will be (in the case of Bearer Notes) deposited with a common depository or, as the case may be, common safekeeper for Euroclear and/or Clearstream, Luxembourg, or (in the case of Registered Notes) registered in the name of a common depository or, as the case may be, common safekeeper (or its nominee) for DTC, Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes.

Euroclear and Clearstream, Luxembourg, as well as any other clearing specified in the relevant Applicable Transaction Terms, will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and/or any other clearing system on whose behalf such Global Notes are held.

While the Notes are represented by one or more Global Notes the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the common depository (in the case of Classic Global Notes) or, as the case may be common service provider (in the case of New Global Notes) for Euroclear and/or Clearstream, Luxembourg and/or any other clearing system for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg and/or any other clearing system to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

Minimum Specified Denomination and higher integral multiples

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the

minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

In certain circumstances a portion of payments made on or with respect to the Notes may be subject to US reporting obligations which, if not satisfied, may require US tax to be withheld.

Under Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "FATCA"), the Issuer, the Guarantor and financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments in respect of the Notes made after 31 December 2016 if any of the parties have not taken actions necessary to be in compliance with FATCA. This withholding does not apply to payments on Notes that are issued prior to 1 July 2014 (or, if later, the date that is six months after the date on which the final regulations that define "foreign passthru payments" are published) unless there is a material modification to the Notes or they are characterized as equity for U.S. federal income tax purposes.

The Issuer and the Guarantor or a financial institution through which a payment is made may enter into an agreement with the US Internal Revenue Service ("IRS") to provide certain information about investors. Under such an agreement, withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant party to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any investor or person through which payment on the Notes is made is not able to receive payments free of withholding under FATCA.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer or, as the case may be, the Guarantor would have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, the Guarantor, a Paying Agent or any other party as a result of the deduction or withholding of such amount. As a result, if FATCA withholding is imposed on these payments, investors may receive less interest or principal than expected.

An investor that is a "foreign financial institution" (as defined under the FATCA rules) but that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

The United States is in the process of negotiating intergovernmental agreements to implement FATCA with a number of jurisdictions. Different rules than those described above may apply if the Issuer or, as the case may be, the Guarantor, or an investor is resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA. The United States and Spain have entered into such an intergovernmental agreement.

Investors should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

Risk Factors Relating to Structured Notes

General Considerations

The Structured Notes involve a degree of risk, which may include interest rate, corporate, market, foreign exchange, time value and/or political risks as well as other risks and general risks applicable to the stock market (or markets) and capital markets which may be specified in the applicable supplement.

In order to realise a return upon an investment in the Structured Notes, an investor must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease in the value of the Structured Notes relative to the Issue Price and must also be correct about when any change will occur. If the value of the Structured Notes does not increase, or decrease, as the case may be, before such Structured Notes are redeemed, part of the investor's investment in such Structured Notes may be lost on such redemption. Other than in respect of Structured Notes which are redeemable prior to the Maturity Date at the option of the Noteholder, the only means by which a Noteholder can realise value from its Structured Notes

prior to their Maturity Date is to sell such Structured Notes at their then market price in the secondary market (if available) (see "*Possible Illiquidity of the Secondary Market*" below).

The Issuer may issue Structured Notes under the Programme and as such potential investors should be aware that fluctuations in the value of the relevant index or basket of indices (including the prices of securities included in an index or basket of indices) will affect the value of single index notes and basket of indices notes. Fluctuations in the price of the relevant equity security or value of the basket of equity securities will affect the value of single currency notes, single currency basket notes and multiple currency basket notes. In both these cases and in the case of currency linked notes, fluctuations in the value of the currency or currencies in or to which the Structured Notes or the underlying securities or index are denominated or linked will also affect the value of such Structured Notes. Also, due to the character of the particular markets on which most equity securities are traded, the absence of last sale information and the limited availability of quotations for such equity securities may make it difficult for many investors to obtain timely, accurate data for the price or yield of such equity securities.

The occurrence of certain events or circumstances, in each case as specified in the Applicable Transaction Terms, will affect the value of credit linked notes and the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the reference obligation(s) and/or to deliver the reference obligation(s). The Issuer's obligations in respect of credit linked Notes are not dependent on the existence of credit exposure of the Issuer to a reference entity and the Issuer need not itself suffer any loss nor provide evidence of any loss as a result of the occurrence of a credit event.

Fluctuations in the value of the relevant commodity will affect the value of commodity linked Notes

The terms and conditions of the Structured Notes generally may include adjustment and early redemption provisions and other terms which along with general market conditions and the financial condition of the underlying reference entity may affect the amounts due and payable under such Structured Notes and/or their Maturity Date. In these cases the Structured Notes may be affected and may, in some cases, result in the Structured Notes being redeemed early. Investors are advised to consider carefully the information set forth in the relevant Applicable Transaction Terms regarding such features.

Investors should note that, in exercising its duties in relation to Structured Notes, the Calculation Agent may have considerable discretion in relation to certain matters which may affect amounts due and payable under the Structured Notes and/or their Maturity Date including (without limitation) the replacement of an underlying index, share or other asset, modification of amounts otherwise payable on redemption or determining the closing price and/or potential early redemption of the Structured Notes.

Prospective investors in Structured Notes should understand the risks of transactions involving the relevant Notes and should reach an investment decision only after careful consideration of the suitability of such Structured Notes in the light of their particular financial circumstances, the information set forth herein and any other available information regarding the relevant Structured Notes. Where the Issuer is required to redeem the Structured Notes prior to the Maturity Date at the option of the Noteholders an investor should understand the consequences of liquidating any investment in the Notes by redeeming such investment as opposed to selling it. This includes knowing when the Structured Notes are redeemable and how to redeem them.

Certain Factors Affecting the Value and Trading Price of Structured Notes

Generally, Structured Notes offer investment diversification opportunities, but also pose some additional risks with regard to interim value. The interim value of the Structured Notes varies with the price and is affected by a number of other factors, including but not limited to:

- (i) market interest rates;
- (ii) fluctuations in currency exchange rates;
- (iii) fluctuations in commodities prices;
- (iv) the liquidity of the Structured Notes or any reference item(s) in the secondary market;
- (v) the time remaining to any redemption date or the maturity date; and

- (vi) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which the Structured Notes may be traded.

There can be no assurance that a Noteholder will be able to sell any Structured Notes prior to maturity at a price equal to or greater than the market value of the Structured Notes on the Issue Date and such Holder may only be able to sell Structured Notes at a discount, which may be substantial.

Potential Conflicts of Interest

The Issuer, the Guarantor and its affiliates may engage in trading and market-making activities and may potentially hold long or short positions in the relevant reference item(s) and other instruments or derivative products based on or related to the relevant reference item(s) for their proprietary accounts or for other accounts under their management. The Issuer, the Guarantor and their respective affiliates may also issue Structured Notes in respect of the relevant reference item(s) which are securities, or issue derivative instruments in respect thereof. To the extent that the Issuer or the Guarantor directly or through its affiliates, serves as issuer, agent, manager or underwriter of such securities or other instruments, its interests with respect to such products may be adverse to those of the Noteholders. The Issuer, the Guarantor or their affiliates may also act as underwriter in connection with future offerings of securities which comprise the reference items or may act as financial advisors to certain underlying companies or reference entities. Such activities could present certain conflicts of interest, could influence the prices of such reference items and could adversely affect the value of the Structured Notes.

Hedging

In connection with the offering of the Structured Notes, the Issuer, the Guarantor and/or any of its affiliates may enter into one or more hedging transactions with respect to any potential reference item(s) or related derivatives. In connection with such hedging activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer, the Guarantor and/or any of its affiliates may enter into transactions in the reference item(s) or related derivatives which may, but are not intended to, affect the market price, liquidity or value of the Structured Notes and which could be deemed to be adverse to the interest of the relevant Noteholders.

Possible Illiquidity of the Secondary Market

There can be no assurance as to how Structured Notes will trade in the secondary market or whether such market will be liquid or illiquid. The number of Structured Notes of any Series may be relatively small, further adversely affecting the liquidity of such Structured Notes.

Fund Linked Notes

Payments in respect of Fund Linked Notes will be calculated by reference to units, interests or shares in a single fund or basket of funds on such terms as set out in the Pricing Supplement. Fund Linked Notes may be subject to cancellation or early redemption or adjustment (including as to valuation and fund substitutions) if certain corporate events (such as insolvency (or analogous event) occurring with respect to a fund; litigation against, or regulatory events occurring with respect to a fund; suspensions of fund subscriptions or redemptions; certain changes in net asset value of a fund; or modifications to the investment objectives or changes in the nature or administration of a fund) occur, if certain valuation or settlement disruption events occur with respect to a fund, or if certain events (such as illegality, disruptions or cost increases).

Certain Considerations Associated with Fund Linked Notes

An investment in Fund Linked Notes will entail significant risks not associated with an investment in a conventional debt security. On redemption or exercise, as the case may be, of Fund Linked Notes, Holders will receive an amount (if any) determined by reference to the value of the fund shares. Accordingly, an investment in Fund Linked Notes may bear similar market risks to a direct fund investment, and investors should take advice accordingly. Fund Linked Notes with interest pay interest calculated by reference to the value of the underlying fund shares or units. The price of units or shares in a fund may be affected by the performance of the fund service providers, and in particular the investment adviser.

No fund service provider will have participated in the preparation of the relevant Applicable Transaction Terms or in establishing the terms of the Fund Linked Notes, and none of the Issuer, the Guarantor or any Dealer will make any investigation or enquiry in connection with such offering with respect to any

information concerning any such issuer of fund shares or units contained in such Applicable Transaction Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in any relevant Applicable Transaction Terms) that would affect the trading price of the fund shares or units will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of fund shares or units could affect the trading price of the fund shares or units and therefore the trading price of the Fund Linked Notes. Fund Linked Notes do not provide Holders with any participation rights in the underlying fund(s) and do not entitle holders of Fund Linked Notes to any ownership interest or rights in such fund(s). Except as may be otherwise provided in the Conditions and/or the relevant Applicable Transaction Terms, Holders will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant fund shares or units to which such Notes relate.

Where the Issuer issues Fund Linked Notes linked to one or more funds, including hedge funds, mutual funds or private equity funds, the relevant Fund Linked Notes reflect the performance of such fund(s).

Funds may trade and invest in a broad range of investments and financial instruments using sophisticated investment techniques for hedging and non-hedging purposes such as debt and equity securities, commodities and foreign exchange and may enter into derivative transactions, including, without limitation, futures, swaps and options. Such financial instruments and investment techniques may also include, but are not limited to, the use of leverage, short sales of securities, transactions that involve the lending of securities to financial institutions, the entry into repurchase and reverse repurchase agreements for securities and the investment in foreign securities and foreign currencies. While these investment strategies and financial instruments provide the investment manager and/or adviser of a fund the flexibility to implement a range of strategies in an attempt to generate positive returns for the fund, they also create the risk of significant losses that may adversely affect the value of the fund and therefore the return on the Fund Linked Notes. Potential investors should be aware that none of the Issuer, the Guarantor, and Dealer or the Calculation Agent have any control over investments made by a fund and therefore in no way guarantee the performance of a fund and therefore the amount due to Holders on cancellation or redemption, as applicable, of any Fund Linked Notes. Funds may often be illiquid and may only be traded on a monthly, quarterly or even less frequent basis. The trading strategies of funds are often opaque. Funds, as well as the markets and instruments in which they invest, are often not subject to review by governmental authorities, self-regulatory organisations or other supervisory authorities.

The amount payable on Fund Linked Notes will be dependent on the performance of the relevant fund(s) underlying the Fund Linked Notes, which may be linked to the NAV per Fund Share and/or the actual redemption proceeds the Hedge Provider or a hypothetical investor in the relevant fund(s) would receive. The amount payable on the Fund Linked Notes may be less than the amount payable from a direct investment in the relevant fund(s). In certain circumstances, a fund may continue reporting a NAV per Fund Share (or Aggregate Fund Shares NAV, as the case may be), but the Hedge Provider or a hypothetical investor may not be able to realise their investment in the relevant fund(s) at such reported NAV per Fund Share (or the corresponding NAV per Fund Share as calculated by the Calculation Agent). In such a case, the return on the Fund Linked Notes may be less and in certain circumstances may be significantly less than the reported performance of the relevant fund(s) and may be zero.

A fund may be established as part of a master-feeder fund structure. Generally, a master-feeder fund structure involves the incorporation of a "master" fund company into which separate and distinct "feeder" funds invest. Active management of any investment strategy is, generally, performed at the master fund level. In instances where the fund(s) underlying the relevant Fund Linked Notes are "feeder" funds, the Extraordinary Fund Events (as defined below) extend to include the "master" fund and its service providers. In conducting their own due diligence of the relevant Fund(s), prospective investors should pay particular attention to whether the relevant Fund(s) are established as part of a master-feeder fund structure.

In hedging the Issuer's obligations under the Fund Linked Notes, the Hedge Provider is not restricted to any particular hedging practice. Accordingly, the Hedge Provider may hedge its exposure using any method it, in its sole discretion, deems appropriate, including, but not limited to, investing in the relevant fund(s), replicating the performance of the relevant fund(s) or holding any of the assets underlying the relevant fund(s). The Hedge Provider may perform any number of different hedging practices with respect to Fund Linked Notes.

For all the above reasons, investing directly or indirectly in funds is generally considered to be risky. If the underlying fund does not perform sufficiently well, the value of the Fund Linked Notes will fall, and may in certain circumstances be zero.

Other Events relating to Fund Linked Notes

In the case of Fund Linked Notes, if certain events ("**Extraordinary Fund Events**") including events in the determination of the Calculation Agent occur, the Issuer or, as the case may be, the Guarantor may, in its sole and absolute discretion, take no action, adjust the terms of the Fund Linked Notes to reflect such event, substitute the relevant Fund Shares or redeem the Fund Linked Notes.

Consequently the occurrence of an Extraordinary Fund Event may have an adverse effect on the value or liquidity of the Fund Linked Notes. In addition, in the event that redemption proceeds in respect of the underlying Fund Shares are not received by the Hedge Provider on or prior to the scheduled date for settlement, such settlement date may be postponed for such period as may be specified in the Applicable Transaction Terms and no additional amount shall be payable as a result of such delay.

The Issuer will exercise its rights under the Fund Linked Note Conditions, including in particular the action it takes on the occurrence of an Extraordinary Fund Event, in its sole and absolute discretion. Subject to all regulatory obligations, none of the Issuer, the Guarantor, any Dealer or the Calculation Agent owes any duty or responsibility to any of the Holders of the Fund Linked Notes. The exercise of such rights in such manner may result in an increased loss in performance of the Fund Linked Notes than if the Issuer had taken different action.

Risk of automatic early redemption (Equity Linked Notes only)

In relation to certain Equity Linked Notes, Equity Linked Notes will be automatically redeemed prior to their maturity if certain conditions specified in the applicable Applicable Transaction Terms are met. Notes of this type have an uncertain maturity date.

Equity Linked and Inflation Linked Notes

An investment in Equity Linked or Inflation Linked Notes entails certain risks, which may vary depending on the specification and type or structure of the Equity Linked or Inflation Linked Notes

Each potential investor should determine whether an investment in the Notes is appropriate in its particular circumstances. An investment in Equity Linked or Inflation Linked Notes requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in the Equity Linked or Inflation Linked Notes and be aware of the related risks.

An investment in Equity Linked or Inflation Linked Notes is only suitable for potential investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Equity Linked or Inflation Linked Notes and the information contained or incorporated by reference into this document;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Notes will have on their overall investment portfolio;
- (c) understand thoroughly the terms of the Equity Linked or Inflation Linked Notes and are familiar with the behaviour of the relevant underlying security or index and financial markets;
- (d) are capable of bearing the economic risk of an investment in the Equity Linked or Inflation Linked Notes until the maturity date of the Equity Linked or Inflation Linked Notes;
- (e) recognise that it may not be possible to dispose of the Equity Linked or Inflation Linked Notes for a substantial period of time, if at all before the maturity date; and
- (f) are able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect the investment in the Equity Linked or Inflation Linked Notes and the investor's risks.

Equity Linked or Inflation Linked Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Equity Linked Notes or Inflation Linked Notes unless such potential investor has the expertise (either alone or with a financial and legal adviser) to evaluate how the Equity Linked or Inflation Linked Notes will perform under changing conditions, the resulting effects on the value of the Equity Linked or Inflation Linked Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Potential investors in Equity Linked or Inflation Linked Notes should be aware that:

- (a) they may lose all or a substantial portion of their principal or investment, depending on the performance of each relevant underlying security or index;
- (b) the market price of such Equity Linked or Inflation Linked Notes may be very volatile;
- (c) investors in Equity Linked or Inflation Linked Notes may receive no interest;
- (d) a relevant underlying security or index may be subject to significant fluctuations that may not correlate with changes in securities prices, indices or inflation indices;
- (e) if a relevant underlying security or index is applied to Equity Linked Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the relevant underlying security or index on principal or interest payable on such Inflation Linked Notes is likely to be magnified; and
- (f) the timing of changes in a relevant underlying security or index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant underlying security or index, the greater the effect on yield.

Equity Linked and Inflation Linked Notes are not ordinary debt securities

The terms of Equity Linked or Inflation Linked Notes differ from those of ordinary debt securities because the Equity Linked or Inflation Linked Notes may not pay interest on maturity, depending on the performance of the relevant underlying security or notes or may return less than the amount invested or nothing. Prospective investors who consider purchasing Equity Linked or Inflation Linked Notes should reach an investment decision only after carefully considering the suitability of Equity Linked Notes or Inflation Linked Notes in light of their particular circumstances. The price of Equity Linked Notes or Inflation Linked Notes may fall in value as rapidly as it may rise, and investors in Equity Linked Notes or Inflation Linked Notes may potentially lose all of their investment.

The value of Equity Linked and Inflation Linked Notes may be influenced by unpredictable factors

The value of the Equity Linked Notes or Inflation Linked Notes may be influenced by several factors beyond the Issuer's and the Guarantor's control including:

1. *Valuation of the relevant underlying security or index.* The market price or value of an Equity Linked Note or Inflation Linked Note at any time is expected to be affected primarily by changes in the price, level, or value of the relevant underlying security or index to which the Equity Linked Notes or Inflation Linked Notes are linked. It is impossible to predict how the price, level, or value of the relevant underlying security or index will vary over time. The historical performance value (if any) of the relevant underlying security or index does not indicate the future performance of the relevant underlying security or index. Factors which may have an effect on the price, level, or value of the relevant underlying security or index include the rate of return of the relevant underlying security or index and, where relevant, the financial position and prospects of the issuer of the relevant underlying security or index, the market price, level or value of the applicable underlying security, index, or inflation index, or basket of securities, indices, or inflation indices. In addition, the price, level, or value of the relevant underlying security or index may depend on a number of inter-related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the value of the Equity Linked or Inflation Linked Notes is linked to the relevant underlying security or

index and will be influenced (positively or negatively) by the relevant underlying security or index, any change may not be comparable and may be disproportionate. It is possible that while the relevant underlying security or index is increasing in value, the value of the Equity Linked Notes or Inflation Linked Notes may fall. Further, the Terms and Conditions of the Equity Linked Notes or Inflation Linked Notes will allow the Calculation Agent to make adjustments or take any other appropriate action if circumstances occur where the Equity Linked or Inflation Linked Notes or any exchanges or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;

2. *Volatility.* The term **volatility** refers to the actual and anticipated frequency and magnitude of changes of the market price, level or value with respect to a relevant underlying security or index. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a relevant underlying security or index will move up and down over time (sometimes more sharply than at other times) and different relevant underlying security or index will most likely have separate volatilities at any particular time;
3. *Dividend Rates and other Distributions.* The value of certain Equity Linked Notes could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a relevant underlying security;
4. *Interest Rates.* Investments in the Equity Linked Notes or Inflation Linked Notes may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Equity Linked Notes or Inflation Linked Notes to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;
5. *Remaining Term.* Generally, the effect of pricing factors over the term of Equity Linked Notes or Inflation Linked Notes will decrease as the maturity date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the maturity date, but may undergo temporary acceleration and/or deceleration. Even if the price, level or value of the relevant underlying share or index rises or falls there may be a reduction or increase, as the case may be, in the value of Equity Linked Notes or Inflation Linked Notes due to the other value determining factors. Given that the term of Equity Linked Notes or Inflation Linked Notes is limited, investors cannot rely on the price, level or value of the relevant underlying share or index or the value of the Equity Linked Notes or Inflation Linked Notes recovering again prior to maturity;
6. *Creditworthiness.* Any prospective investor who purchases Equity Linked Notes or Inflation Linked Notes is relying upon the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. If the Issuer or the Guarantor becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as a relevant underlying share or index; and
7. *Exchange Rates.* The value of Equity Linked Notes or Inflation Linked Notes could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Equity Linked Notes or Inflation Linked Notes is to be made and any currency in which a relevant underlying share or index is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Equity Linked Notes or Inflation Linked Notes will be representative of the relevant rates of exchange used in computing the value of the Equity Linked Notes or Inflation Linked Notes at any time thereafter.

Some or all of the above factors will influence the price that investors will receive if an investor sells its Equity Linked Notes or Inflation Linked Notes prior to maturity which is usually referred to as "secondary market practice". For example, investors may have to sell certain Equity Linked Notes or Inflation Linked Notes at a substantial discount from the principal amount or investment amount if the market price, level or value of the applicable relevant underlying share or index is at, below, or not sufficiently above the initial market price, level or value or if market interest rates rise. The secondary market price of the Equity Linked Notes or Inflation Linked Notes may be lower than the market value of the issued Equity Linked Notes or Inflation Linked Notes as at the Issue Date to take into account, amongst other things, amounts paid to

distributors and other intermediaries relating to the issue and sale of the Equity Linked Notes or Inflation Linked Notes and amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, any investor that sells the Equity Linked Notes or Inflation Linked Notes before the stated expiration or maturity date, may receive an amount in the secondary market which may be less than the then intrinsic market value of the Equity Linked Notes or Inflation Linked Notes and which may also be less than the amount the investor would have received had the investor held the Equity Linked Notes or Inflation Linked Notes through to maturity.

Credit Risk

Holders of Notes bear the credit risk of the Issuer and, if applicable, the Guarantor, that is the risk that the Issuer or the Guarantor, is not able to meet its obligations under such Notes, irrespective of how any principal, interest or other payments under such Notes are to be calculated.

Certain considerations regarding the use of Equity Linked or Inflation Linked Notes as hedging instruments

Any person intending to use Equity Linked or Inflation Linked Notes as a hedge instrument should recognise the "correlation risk" of doing this. Correlation risk is the potential differences in exposure for a potential investor that may arise from the ownership of more than one financial instrument. Equity Linked or Inflation Linked Notes may not hedge exactly a relevant underlying security or index or portfolio of which a relevant security or index forms a part. In addition, it may not be possible to liquidate Equity Linked or Inflation Linked Notes at a price which directly reflects the price, level or value of the relevant underlying security or index or portfolio of which a share or index forms part. Potential investors should not rely on the ability to conclude transactions during the term of the Equity Linked or Inflation Linked Notes to offset or limit the relevant risks. This depends on the market situation and the specific relevant underlying security or index conditions. It is possible that such transactions will only be concluded at an unfavourable market price, resulting in a corresponding loss for the Noteholder.

Effect on Structured Notes of hedging transactions by the Issuer

The Issuer may use a portion or all of the total proceeds from the issue of the Notes for transactions to hedge the risks of the Issuer relating to Structured Notes. In such case, the Issuer may conclude transactions that correspond to the obligations of the Issuer under the Structured Notes. As a rule, such transactions are concluded prior to or on the Issue Date, but it is also possible to conclude such transactions after issue of the Structured Notes. On or before a valuation date, the Issuer or its affiliates may take the steps necessary for closing out any hedging transactions. It cannot, however, be ruled out that the price, level or value of a relevant underlying security, index or other underlying, or the portfolio of which a share, index or other underlying forms a part will be influenced by such transactions. Entering into or closing out these hedging transactions may influence the probability of occurrence or non-occurrence of determining events in the case of Structured Notes with a value based on the occurrence of a certain event in relation to a relevant underlying security, index or other underlying, or the portfolio of which a share or index forms a part.

Notes linked to a single emerging market security, a single emerging market index, or a basket of securities or a basket of indices composed, in part or in whole, of emerging market securities or indices.

Fluctuations in the trading prices of the underlying emerging market equity will affect the value of Equity Linked Notes. Changes may result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the related countries or member nations, including economic and political developments in other countries. Of particular importance to potential risks are (i) rates of inflation; (ii) interest rate levels; (iii) balance of payments; and (iv) the extent of governmental surpluses or deficits in the relevant country. All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the related countries, the governments of the related countries and member nations (if any), and other countries important to international trade and finance. Government intervention could materially and adversely affect the value of such Equity Linked or Inflation Linked Notes. Governments use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes to affect the trading of the underlying equity. Thus, a special risk in purchasing such Equity Linked or Inflation Linked Notes is that their trading value and amount payable at maturity could be affected by the actions of governments, fluctuations in response to other market forces and the movement of currencies across borders. Emerging markets stocks may be more volatile than the stocks in more developed markets.

Effect of the liquidity of the relevant underlying security or index on Equity Linked and Inflation Linked Note pricing

The Issuer's and its affiliates hedging costs tend to be higher the less liquidity the relevant underlying security or index has or the greater the difference between the "buy" and "sell" prices for the relevant underlying security or index or derivatives contracts referenced to the relevant underlying security or index. When quoting prices for Equity Linked or Inflation Linked Notes, the Issuer will factor in such hedging costs and will pass them on to the Noteholders by incorporating them into the "buy" and "sell" prices. Thus, Noteholders selling their Equity Linked or Inflation Linked Notes on an exchange or on the over-the-counter market may be doing so at a price that is substantially lower than the actual value of the Equity Linked or Inflation Linked Notes at the time of sale.

Underlying companies

The Issuer or the Guarantor or their respective subsidiaries may presently or from time to time engage in business with any underlying company, including entering into loans with, or making equity investments in, the underlying company or its affiliates or subsidiaries or providing investment advisory services to the underlying company, including merger and acquisition advisory services. Moreover, neither the Issuer nor the Guarantor has the ability to control or predict the actions of the underlying company or index publisher, including any actions, or reconstitution of index components, of the type that would require the calculation agent to adjust the payout to the investor at maturity.

Fluctuations in the value of any one component of the relevant underlying security or index may, where applicable, be offset or intensified by fluctuations in the value of other components. The historical value (if any) of the relevant underlying security or index or the components of the relevant underlying security or index does not indicate their future performance. Where the value of the components of the relevant underlying security or index is determined in a different currency to the value of the relevant underlying security or index, investors may be exposed to exchange rate risk.

Exchange rates and exchange controls may affect the value or return of the Equity Linked or Inflation Linked Notes

General Exchange Rate and Exchange Control Risks. An investment in an Equity Linked or Inflation Linked Note denominated in, or the payment of which is linked to value for a relevant underlying security or index denominated in currencies other than the investor's home currency entails significant risks. These risks include the possibility of significant changes in rates of exchange between its home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities. These risks generally depend on economic and political events over which the Issuer has no control. Investors should consult their financial and legal advisors as to any specific risks entailed by an investment in Equity Linked or Inflation Linked Notes that are denominated or payable in, or the payment of which is linked to values for a relevant underlying security or index denominated in a currency other than the currency of the country in which such investor resides or in which such investor conducts its business, which is referred to as their home currency. Such Equity Linked or Inflation Linked Notes are not appropriate investments for investors who are not sophisticated in foreign currency transactions.

Exchange Rates May Affect the Investor's Investment. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may 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 during the term of any Equity Linked or Inflation Linked Notes. Depreciation against the investor's home currency or the currency in which an Equity Linked or Inflation Linked Note is payable would result in a decrease in the effective yield of the Equity Linked or Inflation Linked Note below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency.

Investors have no shareholder rights

As an owner of Equity Linked Notes, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying security or index.

Potential conflicts of interest between the investor and the Calculation Agent

If acting as calculation agent for Equity Linked Notes or Inflation Linked Notes linked to one or more securities or indices the Guarantor or the Issuer will determine the payout to the investor at maturity. The Issuer, the Guarantor and their affiliates may also carry out hedging activities related to any Equity Linked Notes or Inflation Linked Notes linked to one or more securities or indices, including trading in the underlying securities and/or indices, as well as in other instruments related to the underlying securities and/or indices. The Issuer, the Guarantor and their affiliates may also trade the applicable underlying securities and/or indices and other financial instruments related to the underlying securities and/or indices on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence the Calculation Agent's determination of adjustments made to any Equity Linked Notes or Inflation Linked Notes linked to one or more securities and/or indices and any such trading activity could potentially affect the price, level or value of the underlying securities and/or indices and, accordingly, could affect the investor's payout on any Equity Linked Notes or Inflation Linked Notes.

Actions taken by the Calculation Agent may affect the relevant underlying share or index

The Calculation Agent may make such adjustments as it considers appropriate as a consequence of certain corporate actions affecting the relevant underlying share or index. In making these adjustments the Calculation Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest, including the conflicts of interest highlighted above, in exercising this discretion.

Market Disruption Event, Disrupted Day, Adjustments and Early Redemption Notes

The Calculation Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Notes.

In addition the Calculation Agent may make adjustments to Equity Linked or Inflation Linked Notes to account for relevant adjustments or events in relation to the relevant underlying share or index including, but not limited to, determining a successor to the relevant underlying share or index or its sponsor (in the case of an index). In addition, in certain circumstances, the Issuer may redeem the Equity Linked or Inflation Linked Note Notes prior to the Maturity Date following any such event. In this case, in relation to each Equity Linked or Inflation Linked Note, the Issuer will pay an amount, if any, determined as provided in the Terms and Conditions.

Prospective investors should review the Terms and Conditions of Equity Linked or Inflation Linked Notes to ascertain whether and how such provisions apply to Equity Linked or Inflation Linked Notes and what constitutes a Market Disruption Event or relevant adjustment event.

Feature-specific Risk Factors

Caps and floors

The formula or other basis for determining the value and/or performance of the relevant underlying share or index in respect of a Series of Equity Linked or Inflation Linked Notes (or of individual shares or indices comprised in a relevant underlying share or index basket) may provide for a maximum value, or cap, such that any value and/or performance of the relevant underlying share or index (or individual basket components) in excess of the applicable cap will not be taken into account for the purposes of the relevant determination. Amounts payable on the Equity Linked or Inflation Linked Notes linked to such capped value and/or performance will be limited accordingly.

The formula or other basis for determining the value and/or performance of the relevant underlying shares or indices in respect of a Series of Equity Linked or Inflation Linked Notes (or of individual shares or indices basket) may alternatively, or additionally, be subject to a minimum value, or floor, such that any value and/or performance of the relevant underlying share or index (or individual basket components) below the applicable floor will not be taken into account for the purposes of the relevant determination. Amounts payable on the Equity Linked or Inflation Linked Notes linked to such floored value and/or performance will be limited accordingly. However, depending on the relevant formula or other basis for determination, such a floor may entitle holders to receive payment(s) greater than they would have received if the relevant determination had not been subject to the floor.

Barrier feature (in relation to Equity Linked Notes only)

Redemption - Where "barrier" is used to identify the terms for determining the Final Redemption Amount payable on any Equity Linked Notes, the redemption amount payable will be par if the value or performance of the relevant underlying share or index, as determined in accordance with the applicable Conditions, is higher than or higher than or equal to as specified in the applicable Applicable Transaction Terms, a specified barrier value, and if such condition is not satisfied, an amount determined by reference to the performance of the relevant underlying share or index, which may be less than par.

Taxation

Potential purchasers of Structured Notes should be aware that stamp duty and other taxes and/or charges may be levied in accordance with the laws and practices in the countries where the Structured Notes are transferred and/or where any potential reference items are delivered.

The summaries set out under the heading "Taxation" in this document do not consider the tax treatment of payments in respect of Structured Notes. Potential purchasers of Structured Notes should note that the tax treatment of payments in respect of Structured Notes may be different (and in some cases significantly different) from that set out in those summaries.

Potential purchasers of Structured Notes who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Risks in Relation to Spanish Taxation

Under Spanish Law 13/1985 and Royal Decree 1065/2007, as amended, income payments in respect of the Notes will be made without withholding tax in Spain. The Issuer is required pursuant to Spanish law to provide certain information regarding the Notes to the Spanish tax authorities. The Issuer, Guarantor and the Principal Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. The Issuer or the Guarantor (as the case may be) will withhold Spanish withholding tax from any payment in respect of any outstanding principal amount of the Notes (as applicable) as to which the required information has not been provided and will not gross up payments in respect of any such withholding tax. The Agency Agreement provides that the Principal Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented, to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof or to reflect a change in applicable clearing system rules or procedures or to add procedures for one or more new clearing systems. See "*Taxation and Disclosure of Information in Connection with Payments — Taxation in Spain*". None of the Issuer, the Guarantor, the Dealers or the Principal Paying Agent assume any responsibility therefore.

Notwithstanding the above, and if despite this selling restriction, the Notes are held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes (and, under certain circumstances, to Spanish entities subject to Corporate Income Tax) may be subject to withholding by such depositary or custodian at the current rate of 21 per cent.

Risks Relating to the Insolvency Law

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 ("**Law 22/2003**" or the "**Insolvency Law**") provides, among other things, that: (i) any claim may become subordinated if it is not included in a company's accounts or otherwise reported to the insolvency administrators within one month from the last official publication of the court order declaring the insolvency, (ii) provisions in a contract granting one party the right to terminate on the other's insolvency may not be enforceable, and (iii) interest (other than any interest accruing under secured liabilities up to an amount equal to the value of the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the security) shall become subordinated. As such, certain provisions of the Insolvency Law could affect claims relating to the Notes on the insolvency of the Guarantor.

Risks in relation to the Issuer

Risk that funds lent by the Issuer to Group companies are not Repaid

The Issuer is a finance vehicle established by the Guarantor for the purpose of issuing debt securities, *participaciones preferentes* (preferred securities) and other financial instruments and on-lending the proceeds to the Guarantor and its consolidated subsidiaries (the "**Group**"). The Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

The Issuer is incorporated in Ireland under the Irish Companies Acts 1963-2012 and as such may be wound up pursuant to the Irish Companies Acts 1963-2012 and/or be subject to examination, a court procedure which is available under the Irish Companies (Amendment) Act 1990, as amended (the "**1990 Act**") to facilitate the survival of Irish companies in financial difficulties.

Certain Creditors of the Issuer will rank in priority above Noteholders

Under Irish law, the claims of a limited category of preferential creditors will take priority over the claims of unsecured creditors and holders of floating security in the event of the appointment of a liquidator or a receiver to an Irish company such as the Issuer. These preferred claims include taxes, such as income tax and corporation tax payable before the date of appointment of the liquidator or receiver and arrear of value added tax, together with accrued interest thereon and claims of employees.

Risks in connection with Examination

Examination is a court procedure available under the 1990 Act to facilitate the survival of Irish companies in financial difficulties.

The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets which are the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the High Court when at least one class of creditors has voted in favour of the proposals and the High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Agent represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Transaction Documents), the Agent would be in a position to vote against any proposal not in favour of the Noteholders. The Agent would also be entitled to argue at the High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholders, especially if such proposals included a writing down to the value of amounts due by the Issuer to the Noteholders.

The primary risks to the Noteholders if any examiner were to be appointed with respect to the Issuer are as follows:

1. the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Noteholders;
2. the potential for the examiner to seek to set aside any negative pledge in the Notes or the Transaction Documents prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

3. in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the amounts secured or unsecured owing to the Noteholders

Risks in relation to the Guarantor

Since the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom and Latin America, adverse changes affecting the economies of Continental Europe, the United Kingdom or certain Latin American countries could adversely affect the Group financial condition.

Our loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At 31 December 2012, Continental Europe accounted for 40% of our total loan portfolio (Spain accounted for 28% of our total loan portfolio), while the United Kingdom and Latin America accounted for 34% and 20%, respectively. Accordingly, the recoverability of these loan portfolios in particular, and our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Continental Europe (in particular, Spain), the United Kingdom and Latin America. Continued recessionary economic conditions in the economies of Continental Europe (in particular, Spain), or a return to recessionary conditions in the United Kingdom or the Latin American countries in which we operate, would likely have a significant adverse impact on our loan portfolio and, as a result, on our financial condition, cash flows and results of operations.

The Group is vulnerable to the current disruptions and volatility in the global financial markets.

In the past five years, the financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Global economic conditions deteriorated significantly between 2007 and 2009, and many countries, in which we operate, fell into recession. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, have been experiencing significant difficulties. Around the world, there have also been runs on deposits at several financial institutions, numerous institutions have sought additional capital or have been assisted by governments, and many lenders and institutional investors have reduced or ceased providing funding to borrowers (including to other financial institutions).

In particular, we may face, among others, the following risks related to the economic downturn:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs, may affect the pricing for our products and services, and limit our ability to pursue business opportunities.
- Reduced demand for our products and services.
- Inability of our borrowers to timely or fully comply with their existing obligations.
- The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the quality of our assets.
- The value and liquidity of the portfolio of investment securities that we hold may be adversely affected.
- Worsening of the global economic conditions may delay the recovery of the international financial industry and impact our financial condition and results of operations.

- The recoverability of our retail loans in particular may be increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of our retail customers and result in increased loan losses.

Some uncertainty remains concerning the future economic environment. While certain segments of the global economy are currently experiencing a moderate recovery, we expect such uncertainty will continue, which could have a negative impact on our business and results of operations. Global investor confidence remains cautious and downgrades of the sovereign debt of Ireland, Greece, Portugal, Spain, Italy and France, as well as the recent development and banking crisis in Cyprus, have caused volatility in the capital markets. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial services industry.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on us, including our ability to access capital and liquidity on financial terms acceptable to us, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding costs or deposit rates could have a material adverse effect on our interest margins.

If all or some of the foregoing risks were to materialise, this could have a material adverse effect on us.

We may suffer adverse effects as a result of the ongoing economic and sovereign debt tensions in the eurozone.

Eurozone markets and economies continue to show signs of fragility and volatility, with recession in several economies, including Germany, and only sporadic access to capital markets in others. Interest rate differentials among eurozone countries are affecting government finance and borrowing rates in those economies.

The European Central Bank (the "ECB") and European Council took actions in 2012 to aim to reduce the risk of contagion throughout and beyond the eurozone. These included the creation of the Open Market Transaction facility of the ECB and the decision by eurozone governments to create a banking union. Nonetheless, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under financial pressure. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the ongoing economic crisis.

The continued high cost of capital for some European governments was felt in the wholesale markets and there has been a consequent increase in the cost of retail funding, with greater competition in a savings market that is growing slowly by historical standards. In the absence of a permanent resolution of the eurozone crisis, conditions could deteriorate.

We have direct and indirect exposure to financial and economic conditions throughout the eurozone economies.

Though the possibility may be more remote following the measures taken in 2012, a wide-scale break-up of the eurozone would most likely be associated with a deterioration in the economic and financial environment and could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect our operating results, financial position and prospects.

The Group's financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect us.

Market risk refers to the probability of variations in our net interest income or in the market value of our assets and liabilities due to volatility of interest rate, exchange rate or equity price. Changes in interest rates affect the following areas, among others, of our business:

- net interest income;

- the volume of loans originated;
- the market value of our securities holdings; and
- gains from sales of loans and securities.

Variations in short-term interest rates could affect our net interest income, which comprises the majority of our revenue. When interest rates rise, we may be required to pay higher interest on our floating-rate borrowings while interest earned on our fixed-rate assets does not rise as quickly, which could cause profits to grow at a reduced rate or decline in some parts of our portfolio. Interest rate variations could adversely affect us, including our net interest income, reducing its growth rate or even resulting in losses. Interest rates are highly sensitive to many factors beyond our control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of our customers to prepay or refinance fixed-rate loans. Increases in interest rates may reduce the value of our financial assets.

If interest rates decrease, although this is likely to decrease our funding costs, it is likely to adversely impact the income we receive arising from our investments in securities as well as loans with similar maturities. In addition, we may also experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions.

The market value of a security with a fixed interest rate generally decreases when the prevailing interest rates rise, which may have an adverse effect on our earnings and financial condition. In addition, we may incur costs (which, in turn, will impact our results) as we implement strategies to reduce future interest rate exposure. The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms or an inability to refinance at lower rates.

Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities.

We are also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect our earnings and value of our assets and securities.

We are also exposed to equity price risk in connection with our trading investments in equity securities as part of our normal course of business as a commercial bank. The performance of financial markets may cause changes in the value of our investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of our investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against our results. To the extent any of these risks materialise, our net interest income or the market value of our assets and liabilities could be adversely affected.

Market conditions have, and could result, in material changes to the estimated fair values of our financial assets. Negative fair value adjustments could have a material adverse effect on our operating results, financial condition and prospects

In the past five years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. We have material exposures to securities and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of our financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by us on disposal may be lower than the current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material adverse effect on our operating results, financial condition or prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, our valuation methodologies require us to make assumptions, judgments and estimates in order to establish fair value, and reliable assumptions are difficult to make and are inherently uncertain and valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on our operating results, financial condition and prospects.

If we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on us.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of our businesses. Non-performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control the level of the impaired loans in our total loan portfolio. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our total loan portfolio, including as a result of loan portfolios that we may acquire in the future, or factors beyond our control, such as adverse changes in the credit quality of our borrowers and counterparties or a general deterioration in economic conditions in Continental Europe, the United Kingdom, Latin America, the United States or global economic conditions, impact of political events, events affecting certain industries or events affecting financial markets and global economies.

Our current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our total loan portfolio. Our loan loss reserves are based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. As the recent global financial crisis has demonstrated, many of these factors are beyond our control. As a result, there is no precise method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves will be sufficient to cover actual losses. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of our total loan portfolio deteriorates, for any reason, including the increase in lending to individuals and small and medium enterprises, the volume increase in the credit card portfolio and the introduction of new products, or if the future actual losses exceed our estimates of incurred losses, we may be required to increase our loan loss reserves, which may adversely affect us. If we were unable to control or reduce the level of our non-performing or poor credit quality loans, this could have a material adverse effect on us.

Mortgage loans are one of our principal assets, comprising 51% of our loan portfolio as of 31 December 2012. As a result, we are highly exposed to developments in real estate markets, especially in Spain and the United Kingdom. In addition, we have exposure to a number of large real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the Eurozone. The United Kingdom experienced an increase in housing and mortgage demand driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. Since 2008, as economic growth stalled in Spain and the United Kingdom, persistent housing oversupply, decreased housing demand, rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility have caused home prices to decline, while mortgage delinquencies increased. As a result, our NPL ratio increased from 0.94% at 31 December 2007, to 2.02% at 31 December 2008, to 3.24% at 31 December 2009, to 3.55% at 31 December 2010 and to 3.89% at 31 December 2011. At 31 December 2012, our NPL ratio was 4.54%. These trends, especially higher unemployment rates coupled with declining real estate prices, could have a material adverse impact on our mortgage payment delinquency rates, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The value of the collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Europe, the United States and Latin American countries. The real estate market is particularly vulnerable in the current economic climate and this may affect us as real estate represents a significant portion of the collateral securing our residential mortgage loan portfolio. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If this were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

Failure to successfully implement and continue to improve our risk management policies, procedures and methods, including our credit risk management system could materially and adversely affect us and we may be exposed to unidentified or unanticipated risks.

The management of risk is an integral part of our activities. We seek to monitor and manage our risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

As a commercial bank, one of the main types of risks inherent in our business is credit risk. For example, an important feature of our credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves detailed analyses of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system.

In addition, we have been trying to refine our credit policies and guidelines to address potential risks associated with particular industries or types of customers. However, we may not be able to timely detect these risks before they occur, or due to limited tools available to us, our employees may not be able to effectively implement them, which may increase our credit risk. Failure to effectively implement, consistently follow or continuously refine our credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for us, which could have a material adverse effect on us.

Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behaviour. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in its statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modelling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits.

Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us.

Our fixed rate loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of our earning assets and could have a material adverse effect on us. We would also be required to amortise net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in our funding obligations and reinvestment at lower yields. Prepayment risk is inherent to our commercial activity and an increase in prepayments could have a material adverse effect on us.

We may generate lower revenues from fee and commission based businesses.

The fees and commissions that we earn from the different banking and other financial services that we provide (credit and debit cards, insurance, account management, bill discounting, guarantees and other contingent liabilities, advisory and custody services, etc.) and from our mutual and pension funds management services represent a significant source of our revenues.

Market downturns have led and are likely to continue to lead, to a decline in the volume of transactions that we execute for our customers and, therefore, to a decline in our non-interest revenues. In addition, because the fees that we charge for managing our clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of our clients' portfolios or increases the amount of withdrawals would reduce the revenues we receive from our asset management, private banking and custody businesses and adversely affect our results of operations. Moreover, our customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect our fee and commission income.

Even in the absence of a market downturn, below-market performance by our mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue we receive from our asset management business and adversely affect our results of operations.

Our financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of our operations and financial position.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to our results and financial position, based upon materiality and significant judgments and estimates, include impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, deferred tax assets and provision for liabilities.

The valuation of financial instruments measured at fair value can be subjective, in particular where models are used which include unobservable inputs. Given the uncertainty and subjectivity associated with valuing such instruments it is possible that the results of our operations and financial position could be materially misstated if the estimates and assumptions used prove to be inaccurate.

If the judgment, estimates and assumptions we use in preparing our consolidated financial statements are subsequently found to be incorrect, there could be a material effect on our results of operations and a corresponding effect on our funding requirements and capital ratios.

Competition with other financial institutions could adversely affect us.

We face substantial competition in all parts of our business, including in originating loans and in attracting deposits. The competition in originating loans comes principally from other domestic and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other lenders and purchasers of loans.

In addition, there has been a trend towards consolidation in the banking industry, which has created larger and stronger banks with which we must now compete. There can be no assurance that this increased competition will not adversely affect our growth prospects, and therefore our operations. We also face competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

Increasing competition could require that we increase our rates offered on deposits or lower the rates we charge on loans, which could also have a material adverse effect on us, including our profitability. It may also negatively affect our business results and prospects by, among other things, limiting our ability to increase our customer base and expand our operations and increasing competition for investment opportunities.

In addition, if our customer service levels were perceived by the market to be materially below those of our competitor financial institutions, we could lose existing and potential business. If we are not successful in retaining and strengthening customer relationships, we may lose market share, incur losses on some or all of our activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on our operating results, financial condition and prospects.

We are exposed to risks faced by other financial institutions.

We routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties. In 2012, the financial health of a number of European governments was shaken by the European sovereign debt crisis, contributing to volatility of the capital and credit markets, and the risk of contagion throughout and beyond the Eurozone remains, as a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under considerable financial pressure. These liquidity concerns have had, and may continue to have, an adverse effect on interbank financial transactions in general. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material adverse effect on us.

The financial problems faced by our customers could adversely affect us.

Market turmoil and economic recession could materially and adversely affect the liquidity, businesses and/or financial conditions of our borrowers, which could in turn increase our own non-performing loan ratios, impair our loan and other financial assets and result in decreased demand for borrowings in general. In addition, our customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect our fee and commission income. Any of the conditions described above could have a material adverse effect on our business, financial condition and results of operations.

Liquidity and funding risks are inherent in our business and could have a material adverse effect on us.

Liquidity risk is the risk that we either do not have available sufficient financial resources to meet our obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While we implement liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding our business, and extreme liquidity constraints may affect our current operations as well as limit growth possibilities.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us.

Our cost of obtaining funding is directly related to prevailing market interest rates and to our credit spreads. Increases in interest rates and our credit spreads can significantly increase the cost of our funding. Changes in our credit spreads are market-driven, and may be influenced by market perceptions of our creditworthiness. Changes to interest rates and our credit spreads occur continuously and may be unpredictable and highly volatile.

If wholesale markets financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits, with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. The persistence or worsening of these adverse market conditions or an increase in base interest rates could have a material adverse effect on our ability to access liquidity and cost of funding (whether directly or indirectly).

We rely, and will continue to rely, primarily on commercial deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside our control, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing our ability to access commercial deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on our operating results, financial condition and prospects.

We anticipate that our customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and we intend to maintain our emphasis on the use of banking deposits as a source of funds. The short-term nature of this funding source could cause liquidity problems for us in the future if deposits are not made in the volumes we expect or are not renewed. If a substantial number of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, we may be materially and adversely affected.

We cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, we will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, we could be materially adversely affected.

Credit, market and liquidity risk may have an adverse effect on our credit ratings and our cost of funds. Any downgrading in our credit rating would likely increase our cost of funding, require us to post additional collateral or take other actions under some of our derivative contracts and adversely affect our interest margins and results of operations.

Credit ratings affect the cost and other terms upon which we are able to obtain funding. Rating agencies regularly evaluate us, and their ratings of our debt are based on a number of factors, including our financial strength as well as conditions affecting the financial services industry generally. In addition, due to the methodology of the main rating agencies, our credit rating is affected by the rating of Spanish sovereign debt. If Spain's sovereign debt is downgraded, our credit rating would also likely be downgraded by an equivalent amount.

Any downgrade in our debt credit ratings would likely increase our borrowing costs and require us to post additional collateral or take other actions under some of our derivative contracts, and could limit our access to capital markets and adversely affect our commercial business. For example, a ratings downgrade could adversely affect our ability to sell or market certain of our products, engage in certain longer-term and derivatives transactions and retain our customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of our derivative contracts, we may be required to maintain a minimum credit rating or terminate such contracts. Any of these results of a ratings downgrade, in turn, could reduce our liquidity and have an adverse effect on us, including our operating results and financial condition.

Banco Santander, S.A.'s long-term debt is currently rated investment grade by the major rating agencies—Baa2 by Moody's Investors Service España, S.A., BBB by Standard & Poor's Ratings Services and BBB+ by Fitch Ratings Ltd.—all of which have a negative outlook due to the difficult economic environment in Spain. All three agencies downgraded our rating in February 2012 together with that of the other main Spanish banks, due to the weaker-than-previously-anticipated macroeconomic and financial environment in Spain with dimming growth prospects in the near term, depressed real estate market activity and heightened turbulence in the capital markets. In addition, Standard & Poor's Ratings Services downgraded our rating by two notches in April 2012 together with that of 15 other Spanish banks following that rating agency's decision to downgrade Spain's sovereign debt rating by two notches and in October 2012 downgraded our rating due to the same reason from A- to BBB with a negative outlook. Moody's Investors Service España, S.A. further downgraded our rating in May 2012, together with downgrades of 15 other Spanish banks and Santander UK plc, our United Kingdom-domiciled subsidiary. In June 2012, Fitch Ratings Ltd. cut the rating of Spanish sovereign debt three notches to BBB- with a negative outlook, and Moody's followed shortly thereafter by downgrading Spanish sovereign debt three notches to Baa3, its lowest investment grade rating. Following its downgrade of Spanish sovereign debt, Fitch Ratings Ltd. further downgraded our rating on 11 June 2012 from A to BBB+. Moody's Investors Service downgraded our rating on 25 June 2012 from A3 to Baa2. Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A2 with negative outlook by Moody's Investors Service, A with negative outlook by Standard & Poor's Ratings

Services and A with stable outlook by Fitch Ratings, Ltd. All three agencies revised Santander UK's ratings during 2012 following the downgrades of the Kingdom of Spain.

We conduct substantially all of our material derivative activities through Banco Santander, S.A. and Santander UK.

For example, we estimate that as of 31 December 2012, if the rating agencies were to downgrade Banco Santander, S.A.'s long-term senior debt ratings by one notch we would be required to post up to €3 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two notch downgrade would result in a requirement to post up to €14 million in additional collateral. In addition, we estimate that as of 31 December 2012, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in outflows from Santander UK's total liquid assets of £2.0 billion of cash and £6.6 billion in additional collateral that Santander UK would be required to post under the terms of secured funding and derivative contracts. A hypothetical two notch downgrade would result in an additional outflow of £0.4 billion of cash and £1.4 billion of collateral under secured funding and derivative contracts.

However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviors of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including which credit rating agency downgrades our credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although, unsecured and secured funding stresses are included in our stress testing scenarios and a portion of our total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on us. In addition, if we were required to cancel our derivatives contracts with certain counterparties and were unable to replace such contracts, our market risk profile could be altered.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain our current ratings or outlooks. Our failure to maintain favorable ratings and outlooks would likely increase our cost of funding and adversely affect our interest margins, which could have a material adverse effect on us.

We are subject to market, operational and other related risks associated with our derivative transactions that could have a material adverse effect on us.

We enter into derivative transactions for trading purposes as well as for hedging purposes. We are subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

Market practices and documentation for derivative transactions in the countries where we operate differ from each other. In addition, the execution and performance of these transactions depends on our ability to develop adequate control and administration systems and to hire and retain qualified personnel. Moreover, our ability to adequately monitor, analyze and report derivative transactions continues to depend, to a great extent, on our information technology systems. This factor further increases the risks associated with these transactions and could have a material adverse effect on us.

Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and our ability to continue offering products and services from third parties, and we may not be able to manage various risks we face as we expand our range of products and services that could have a material adverse effect on us.

The success of our operations and our profitability depends, in part, on the success of new products and services we offer our clients and our ability to continue offering products and services from third parties. However, we cannot guarantee that our new products and services will be responsive to client demands or successful once they are offered to our clients, or that they will be successful in the future. In addition, our

clients' needs or desires may change over time, and such changes may render our products and services obsolete, outdated or unattractive and we may not be able to develop new products that meet our clients' changing needs. If we cannot respond in a timely fashion to the changing needs of our clients, we may lose clients, which could in turn materially and adversely affect us.

As we expand the range of our products and services, some of which may be at an early stage of development in the markets of certain regions where we operate, we will be exposed to new and potentially increasingly complex risks and development expenses in those markets, with respect to which our experience and the experience of our partners may not be helpful. Our employees and our risk management systems may not be adequate to handle such risks. In addition, the cost of developing products that are not launched is likely to affect our results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on us.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could have a material adverse effect on us.

Our ability to remain competitive depends in part on our ability to upgrade our information technology on a timely and cost-effective basis. We must continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. We cannot assure you that in the future we will be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of our information technology infrastructure. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could have a material adverse effect on us.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.

We are required to comply with applicable anti-money laundering, anti-terrorism and other laws and regulations in the jurisdictions in which we operate. These laws and regulations require us, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision.

While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering and related activities, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, including the revocation of licenses. In addition, our business and reputation could suffer if customers use our banking network for money laundering or illegal or improper purposes.

In addition, while we review our relevant counterparties' internal policies and procedures with respect to such matters, we, to a large degree, rely upon our relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using our (and our relevant counterparties) as a conduit for money laundering (including illegal cash operations) without our (and our relevant counterparties') knowledge. If we are associated with, or even accused of being associated with, or become a party to, money laundering, then our reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement (including being added to any "black lists" that would prohibit certain parties from engaging in transactions with us), any one of which could have a material adverse effect on our operating results, financial condition and prospects.

If we are unable to manage the growth of our operations, this could have an adverse impact on our profitability.

We allocate management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring our businesses. From time to time, we evaluate acquisition and partnership opportunities that we believe offer additional value to our shareholders and are consistent with our business strategy. However, we may not be able to identify suitable acquisition

or partnership candidates, and our ability to benefit from any such acquisitions and partnerships will depend in part on our successful integration of those businesses. We can give no assurances that our expectations with regards to integration and synergies will materialise. We also cannot provide assurance that we will, in all cases, be able to manage our growth effectively or deliver our strategic growth objectives. Challenges that may result from our strategic growth decisions include our ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow our existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates;
- finance strategic investments or acquisitions;
- fully integrate strategic investments, or newly-established entities or acquisitions in line with its strategy;
- align our current information technology systems adequately with those of an enlarged Group;
- apply our risk management policy effectively to an enlarged Group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively, including relating to any or all of the above challenges associated with our growth plans, could have a material adverse effect on our operating results, financial condition and prospects.

We are exposed to risk of loss from legal and regulatory proceedings.

We face various issues that may give rise to risk of loss from legal and regulatory proceedings, including tax litigation. These issues, including appropriately dealing with potential conflicts of interest, and legal and regulatory requirements, could increase the amount of damages asserted against us or subject us to regulatory enforcement actions, fines and penalties. The current regulatory environment, which suggests an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, may lead to material operational and compliance costs.

We are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of our business, including in connection with our lending activities, relationships with our employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, involve a large number of parties or are in the early stages of discovery, we cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings. However, the amount of these provisions is substantially less than the total amount of the claims asserted against us and in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us. As a result, the outcome of a particular matter may be material to our operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and our level of income for that period.

We are subject to substantial regulation which could adversely affect our business and operations.

As a financial institution, we are subject to extensive regulation, which materially affects our businesses. For example, we are subject to capital adequacy requirements which, among other things, require us to maintain minimum ratios of regulatory capital to risk-weighted assets. Any failure by us to comply with capital adequacy requirements may result in administrative actions or sanctions which may affect our ability to fulfill our obligations.

Statutes, regulations and policies to which we are subject, in particular those relating to the banking sector and financial institutions, may be changed at any time. For example, in response to the recent financial crisis, regulators world-wide have imposed, and may continue to impose, more stringent capital adequacy

requirements, including increasing the minimum regulatory capital requirements imposed on us. Regulators world-wide have also produced a range of proposals for future legislative and regulatory changes which could force us to comply with certain operational restrictions or take steps to raise further capital, or could increase our expenses, or otherwise adversely affect our operating results, financial condition and prospects. The interpretation and the application by regulators of the laws and regulations to which we are subject may also change from time to time. Any legislative or regulatory actions and any required changes to our business operations resulting from such legislation and regulations could result in significant loss of revenue, limit our ability to pursue business opportunities in which we might otherwise consider engaging, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us.

Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which we operate, we may face higher compliance costs. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on our business and results of operations.

Extensive legislation affecting the financial services industry has recently been adopted in Spain, the United States, the European Union and other jurisdictions, and regulations are in the process of being implemented.

The European Union has created a European Systemic Risk Board to monitor financial stability and has implemented rules that will increase capital requirements for certain trading instruments or exposures and impose compensation limits on certain employees located in affected countries. In addition, the European Union Commission is considering and has already approved a wide array of other initiatives, including new legislation that will affect derivatives trading, impose surcharges on "globally" systemically important firms and possibly impose new levies on bank balance sheets.

Regulators in the UK have produced a range of proposals for future legislative and regulatory changes, which could force us to comply with certain operational restrictions or take steps to raise further capital, or could increase our expenses, or otherwise adversely affect our operating results, financial condition and prospects. These proposals include (i) the introduction of recovery and resolution planning requirements (popularly known as "living wills") for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system, (ii) implementation of the Financial Services Act 2012 (which took effect from 1 April 2013), creating, among others, the Financial Conduct Authority ("**FCA**") (formerly the Financial Services Authority) and bestowing on it enhanced disciplinary and enforcement powers, (iii) the introduction of more regular and detailed reporting obligations, (iv) a move to pre-funding of the deposit protection scheme in the UK, (v) a proposal to require large UK retail banks to hold a minimum Core Tier 1 to risk-weighted assets ratio of at least 10 percent., which is, broadly, 3 percent higher than the minimum capital levels required under Basel III, and to have a minimum primary loss-absorbing capacity of 17 percent of risk-weighted assets, and (vi) proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") reached agreement on comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of Basel III was published in June 2011. Basel III is intended to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduces new eligibility criteria for Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments that are intended to raise the quality of regulatory capital, and increases the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios in order to avoid certain capital distribution constraints. The capital conservation buffer, to be comprised of Common Equity Tier 1 capital, would result in an effective Common Equity Tier 1 capital requirement of 7 percent of risk-weighted assets. In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth. Basel III introduces a leverage ratio for institutions as a backstop measure, to be applied alongside current risk-based regulatory

capital requirements. The changes in Basel III are intended to be phased in gradually between January 2013 and January 2022. The implementation of Basel III in the European Union is being performed through the Capital Requirements Directive IV & Capital Requirements Regulation ("**CRDIV**") legislative package. Drafts of the CRDIV have been released by the European Commission but are not scheduled to be published in final form until later in 2013. The final capital framework to be established in the EU under CRDIV is likely to differ from Basel III in certain areas and the implementation date is currently expected to be effective in January 2014.

In addition to the changes to the capital adequacy framework published in December 2010 described above, the Basel Committee also published its global quantitative liquidity framework, comprising the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") metrics, with objectives to (1) promote the short-term resilience of banks' liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and (2) promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The LCR has been subsequently revised by the Basel Committee in January 2013 which amended the definition of high-quality liquid assets and agreed a revised timetable for phase-in of the standard from 2015 to 2019, as well as making some technical changes to some of the stress scenario assumptions. As with the Basel Committee's proposed changes to the capital adequacy framework, the draft liquidity framework remains under discussion within the EU and the final framework to be established could differ from Basel III in certain areas. The implementation date is still subject to uncertainty.

The Spanish government approved on 3 February 2012 the Royal Decree-Law 2/2012 and on 18 May 2012 the Royal Decree-Law 18/2012 on the reform of the financial sector, through which the following actions were performed:

- Review of the minimum provisioning percentages to be taken into consideration in the estimate of the impairment losses relating to financing granted to the property sector in Spain and to the foreclosed assets and assets received in payment of debt arising from financing granted to that sector, as a result of the impairment of these assets.
- Increase in the level of minimum capital requirements of Spanish credit institutions on the basis of the assets relating to the property sector in Spain presented on the balance sheet of each entity at 31 December 2012.

In September 2011, the European Commission (the "**Commission**") tabled a proposal for a common system of financial transactions taxes ("**FTT**"). Despite intense discussions on this proposal there was no unanimity amongst the 27 Member States. Eleven Member States ("**participating Member State**") requested enhanced cooperation on a FTT based upon the Commission's original proposal. The Commission presented a decision to this effect which was adopted by the EU's Council of Finance Ministers at its committee meeting on January 22, 2013. The formal Directive was published on February 14, 2013, under which participating Member States may charge a FTT on all financial transactions with effect from January 1, 2014 where (i) at least one party to the transaction is established in the territory of a participating Member State and (ii) a financial institution established in the territory of a participating Member State is a party to the transaction acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction. We are still assessing the proposals to determine the likely impact on us.

In the United Kingdom, on 16 June 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (the "**ICB**"), chaired by Sir John Vickers. The ICB was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the UK Government. The ICB gave its recommendations on 12 September 2011 and proposed: (i) implementation of a retail ring fence; (ii) increased capital requirements; and (iii) improvement of competition – which were broadly endorsed by the Government in its response published on 19 December 2011. A White Paper was published on 14 June 2012 detailing how the Government intends to implement the recommendations of the ICB. A draft of the initial bill to implement the ICB recommendations was published on 12 October 2012, in the format of framework legislation to put in place the architecture to effect the reforms, with detailed policy being provided for through secondary legislation. On 4 February 2013, the Financial Services (Banking Reform) Bill was introduced to Parliament. The Government expects the legislation to be in place by 2015 and to take effect by 2019. Implementation of the proposals may require us to make changes to our structure and business.

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") which was adopted in 2010 will continue to result in significant structural reforms affecting the financial services industry. This legislation provides for, among other things, the establishment of a Consumer Financial Protection Bureau with broad authority to regulate the credit, savings, payment and other consumer financial products and services that we offer, the creation of a structure to regulate systemically important financial companies, more comprehensive regulation of the over-the-counter derivatives market, prohibitions of our engagement in certain proprietary trading activities and restrictions on our ownership of, investment in or sponsorship of hedge funds and private equity funds, restrictions on the interchange fees we earn through debit card transactions, and a requirement that bank regulators phase out the treatment of trust preferred capital instruments as Tier 1 capital for regulatory capital purposes.

With respect to OTC derivatives, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. Entities that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants will be required to register with the SEC or the CFTC, or both, and will become subject to new capital, margin, business conduct, recordkeeping, clearing, execution, reporting and other requirements. Banco Santander has been registered provisionally as a swap dealer with the CFTC. We will likely register other Group entities as swap dealers with the CFTC or with the SEC, or with both of them. Although the full impact of U.S. derivatives regulation on us is still unclear, registration with the CFTC and SEC could materially increase our operating costs and adversely affect our derivatives business.

In June 2012, U.S. bank regulators proposed a broad revision of the regulatory capital rules applicable to U.S. banks, bank holding companies and other U.S. banking organisations. The proposals would implement the Basel III capital standards in the United States and modify existing standardised risk weights for certain types of asset classes, including residential mortgages and securitisation exposures. The proposals are intended to comply with the Dodd-Frank Act's minimum risk-based capital requirements and would be phased in over a multi-year period. Once fully implemented, the new rules would generally increase both the quality and quantity of regulatory capital that U.S. banking organisations are required to maintain. It was originally contemplated that the revised capital rules would be phased in beginning in January 2013. In November 2012, however, U.S. bank regulators announced that the proposals would not become effective in January 2013. The announcement did not specify new implementation or phase-in dates. U.S. bank regulators are working to finalise the proposals.

In addition, in December 2012, pursuant to the Dodd-Frank Act's systemic risk regulation provisions, the Board of Governors of the Federal Reserve System ("**Federal Reserve**") proposed to apply enhanced prudential standards to the U.S. operations of large foreign banking organisations, including us. Under the Federal Reserve's proposal, a number of large foreign banking organisations would be required to establish a separately capitalised top-tier U.S. intermediate holding company ("**IHC**") that would hold all of the large foreign banking organisation's U.S. bank and nonbank subsidiaries. Under the Federal Reserve's proposal, an IHC would be subject to U.S. capital, liquidity, single counterparty credit limits, risk management, stress testing and other enhanced prudential standards on a consolidated basis, and the Federal Reserve would have the authority to examine any IHC and any subsidiary of an IHC. Although U.S. branches and agencies of foreign banks would not be required to be held beneath an IHC, such branches and agencies would be subject to liquidity, single counterparty credit limits, and, in certain circumstances, asset maintenance requirements. The rules have a proposed effective date of 1 July 2015. The Federal Reserve is currently accepting comments on its proposal.

These and any additional legislative or regulatory actions in Spain, the European Union, the United States, the UK or other countries, and any required changes to our business operations resulting from such legislation and regulations, could result in reduced capital availability, significant loss of revenue, limit our ability to continue organic growth (including increased lending) and pursue business opportunities in which we might otherwise consider engaging, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, we cannot provide assurance that any such new legislation or regulations would not have an adverse effect on our business, results of operations or financial condition in the future.

We may also face increased compliance costs. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which we operate, we may face higher compliance

costs. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have material adverse effect on our business and results of operations.

Operational risks, including risks relating to data collection, processing and storage systems are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. Although we work with our clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber attacks, we routinely exchange personal, confidential and proprietary information by electronic means, and we may be the target of attempted cyber attacks. If we cannot maintain an effective data collection, management and processing system, we may be materially and adversely affected.

We take protective measures and continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption, but our systems, software and networks nevertheless may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurance that we will not suffer material losses from operational risk in the future, including relating to cyber attacks or other such security breaches. Further, as cyber attacks continue to evolve, we may incur significant costs in its attempt to modify or enhance our protective measures or investigate or remediate any vulnerabilities.

We manage and hold confidential personal information of customers in the conduct of our banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorised disclosures could subject us to legal actions and administrative sanctions as well as damages that could materially and adversely affect our results of operations and financial condition.

In addition, our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

We rely on recruiting, retaining and developing appropriate senior management and skilled personnel.

Our continued success depends in part on the continued service of key members of our management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of our strategy. The successful implementation of our growth strategy depends on the availability of skilled management, both at our head office and at each of our business units. If we or one of our business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on our ability to hire or retain the most qualified employees. If we fail or are unable to attract and appropriately train, motivate and retain qualified professionals, our business may also be adversely affected.

Damage to our reputation could cause harm to our business prospects.

Maintaining a positive reputation is critical to our attracting and maintaining customers, investors and employees. Damage to our reputation can therefore cause significant harm to its business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee misconduct,

litigation or regulatory outcomes, failure to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding us, whether or not true, may result in harm to our prospects.

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect our reputation. For example, the role played by financial services firms in the financial crisis and the seeming shift toward increasing regulatory supervision and enforcement has caused public perception of us and others in the financial services industry to decline.

We could suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions against us. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

Changes in accounting standards could impact reported earnings.

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

We rely on third parties for important products and services.

Third party vendors provide key components of our business infrastructure such as loan and deposit servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

We engage in transactions with our subsidiaries or affiliates that others may not consider to be on an arm's-length basis.

We and our subsidiaries and affiliates have entered into a number of services agreements pursuant to which we render services, such as administrative, accounting, finance, treasury, legal services and others. In addition, we have entered into services agreements with certain affiliates to allow these companies to offer their products and services within our branch network or that assist with our activities in consideration for certain fees.

Spanish law applicable to public companies and financial groups and institutions, as well as our bylaws, provide for several procedures designed to ensure that the transactions entered into with or among our financial subsidiaries do not deviate from prevailing market conditions for those types of transactions, including the requirement that our board of directors approve such transactions.

We are likely to continue to engage in transactions with our subsidiaries or affiliates. Future conflicts of interests between us and any of our subsidiaries or affiliates, or among our subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in our favour.

Our business could be affected if its capital is not managed effectively or if changes limiting our ability to manage our capital position are adopted.

Effective management of our capital position is important to our ability to operate our business, to continue to grow organically and to pursue our business strategy. However, in response to the recent financial crisis, a number of changes to the regulatory capital framework have been adopted or are being considered. As these and other changes are implemented or future changes are considered or adopted that limit our ability to manage our balance sheet and capital resources effectively or to access funding on commercially acceptable terms, we may experience a material adverse effect on our financial condition and regulatory capital position.

Portions of our loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect our operating results.

Our financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of our loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of our loan portfolio and could have an adverse impact on the economy of the affected region.

Our growth, asset quality and profitability in Latin America may be adversely affected by volatile macroeconomic and political conditions.

The economies of some of the Latin American countries where the Group operates have experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend.

Negative and fluctuating economic conditions, such as a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services. Negative and fluctuating economic conditions in these Latin American regions could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in these Latin American regions.

In addition, the Group's revenues are subject to risk of loss from unfavorable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies.

No assurance can be given that the Group's growth, asset quality and profitability will not be affected by volatile macroeconomic and political conditions.

Changes in our pension liabilities and obligations could have a material adverse effect on us.

We provide retirement benefits for many of our former and current employees through a number of defined benefit pension plans. We calculate the amount of our defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, or others. These calculations are based on IFRS and on those other requirements defined by the local supervisors. Given the nature of these obligations, changes in the assumptions that support valuations, including market conditions, can result in actuarial losses which would in turn impact the financial condition of our pension funds. Under IFRS, the discount rate is set considering the term and performance of high credit quality corporate bonds with similar maturities in the same currency, and is the assumption that is most vulnerable to market volatility. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of our defined benefit obligations and therefore on the amount of pension expense that we accrue.

Changes in the size of the deficit in our defined benefit pension plans, due to reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in our having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of our business and reduce our capital resources. While we can control a number of the above factors, there are some over which we have no or limited control. Increases in our pension liabilities and obligations could have a material adverse effect on our business, financial condition and results of operations.

Changes in taxes and other assessments may adversely affect us.

The Spanish government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once

implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

We cannot predict if such tax reforms will be implemented in the future. The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified.

Exposure to sovereign debt could have a material adverse effect on us.

Like many other European banks, we invest in debt securities of European governments, including debt securities of the countries that have been most affected by the deterioration in economic conditions in Europe, such as Spain, Portugal, Italy and Ireland. A failure by any such government to make timely payments under the terms of these securities, or a significant decrease in their market value, will have a material adverse effect on us.

We depend in part upon dividends and other funds from subsidiaries.

Some of our operations are conducted through our financial services subsidiaries. As a result, our ability to pay dividends, to the extent we decide to do so, depends in part on the ability of our subsidiaries to generate earnings and to pay dividends to us. Payment of dividends, distributions and advances by our subsidiaries will be contingent upon our subsidiaries' earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. Additionally, our right to receive any assets of any of our subsidiaries as an equity holder of such subsidiaries, upon their liquidation or reorganisation, will be effectively subordinated to the claims of our subsidiaries' creditors, including trade creditors.

Our corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States.

Issuers of securities in Spain are required to make public disclosures that are different from, and that may be reported under presentations that are not consistent with, disclosures required in countries with more developed capital markets, including the United States. In particular, for regulatory purposes, we currently prepare and will continue to prepare and make available to our shareholders statutory financial statements in accordance with IFRS-IASB, which differs from U.S. GAAP in a number of respects. In addition, as a foreign private issuer, we are not subject to the same disclosure requirements in the United States as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, or the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules under Section 16 of the Exchange Act. Accordingly, the information about us available to you will not be the same as the information available to shareholders of a U.S. company and may be reported in a manner that you are not familiar with.

ISSUE OF NOTES

Notes will be issued on a continuous basis 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 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 principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in Applicable Transaction Terms to this Offering Circular (the form of which is set out in "*Pro Forma Final Terms*" or "*Pro Forma Pricing Supplement*" below) or, as the case may be, in a Drawdown Prospectus or Drawdown Listing Particulars (as applicable).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, the Offering Circular:

- (1) the English language translations of the audited consolidated financial statements of the Guarantor for the years ended 31 December 2012 and 31 December 2011, together with the auditor's reports thereon;
- (2) the complete interim financial statements and interim directors' report for the Guarantor for the three month period ended 31 March 2013;
- (3) the audited financial statements of the Issuer for the years ended 31 December 2012 and 31 December 2011 together with the auditor's report thereon;
- (4) the unaudited interim financial statements of the Issuer for the period from 1 January 2012 to 30 June 2012 (excluding the interim management report contained therein); and
- (5) the terms and conditions of the Notes set out on pages 45 to 81 of the base prospectus dated 24 February 2012 (the "**2012 Conditions**"), on pages 41 to 76 of the base prospectus dated 24 February 2011 (the "**2011 Conditions**"), on pages 39 to 73 of the base prospectus dated 18 February 2010 (the "**2010 Conditions**"), on pages 36 to 70 of the base prospectus dated 11 February 2009 (the "**2009 Conditions**"), on pages 33 to 67 of the base prospectus dated 26 June 2008 (the "**2008 Conditions**"), on pages 27 to 62 of the base prospectus dated 14 September 2007 (the "**2007 Conditions**") and on pages 25 to 60 of the base prospectus dated 14 September 2006 (the "**2006 Conditions**"), relating to the Programme.

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, at the specified offices (which are set out below) of the Issuer, of the Guarantor, of the Principal Paying Agent and of the Transparency Directive agent. Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or is covered elsewhere in this Offering Circular.

English translations of Document (1) above are available at:

http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html?pagename=CFWCSancomQP01%2FPPage%2FCFQP01_PageAgrupEnlaces_PT14&cidSel=1278688254195&appID=santander.wc.CFWCSancomQP01&canal=CSCORP&empr=CFWCSancomQP01&len g=en_GB&cid=1278677300447

and

http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html?pagename=CFWCSancomQP01%2FPPage%2FCFQP01_PageAgrupEnlaces_PT14&cidSel=1278683681349&appID=santander.wc.CFWCSancomQP01&canal=CSCORP&empr=CFWCSancomQP01&len g=en_GB&cid=1278677300447

Document (2) above is available at:

http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informes-Trimestrales.html?leng=en_GB&menudivid=1278677300475

Documents(3) above are available at:

[http://www.ise.ie/debt_documents/Banesto%20Final%20signed%20accounts%202011%20\(fully%20executed\)_58f20d86-caa2-425f-be84-a60e780e2fee.pdf](http://www.ise.ie/debt_documents/Banesto%20Final%20signed%20accounts%202011%20(fully%20executed)_58f20d86-caa2-425f-be84-a60e780e2fee.pdf)

and

<http://www.ise.ie/app/announcementDetails.aspx?ID=11567820>

Documents (4) above are available at:

http://www.ise.ie/debt_documents/Banesto%20Financial%20Products%20Plc%20-%20Versi%C3%B3n%20final%20sin%20Interim%20Management%20Repport.docx_8e193fe3-5aad-4f6f-93b5-91abff171802.pdf

Documents (5) above are available at the following:

- i. 2012 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_6b964f4d-e065-4217-9a81-f4f5c21e4d4b.pdf
- ii. 2011 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_cba2bd86-e81b-4e8e-b31a-dc5ae0f61e91.pdf
- iii. 2010 Conditions:
http://www.ise.ie/debt_documents/Banesto%20Financial%20Products%20EMTN%2042187BaseProspectus_15946.pdf
- iv. 2009 Conditions:
http://www.ise.ie/debt_documents/BANESTO_7802.pdf
- v. 2008 Conditions:
http://www.ise.ie/debt_documents/Base%20Prospectus_497.pdf
- vi. 2007 Conditions:
http://www.ise.ie/debt_documents/EUR%2010,000,000,000%20Euro%20Medium%20Term%20Note%20Programme_9787.pdf
- vii. 2006 Conditions:
[http://www.ise.ie/debt_documents/Banesto%20\(BP\)_8410.pdf](http://www.ise.ie/debt_documents/Banesto%20(BP)_8410.pdf)

APPLICABLE TRANSACTION TERMS AND DRAWDOWN PROSPECTUSES OR DRAWDOWN LISTING PARTICULARS

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer and the Guarantor have endeavoured to include in this Offering Circular all of the necessary information except for information relating to the Notes which is not known at the date of this Offering Circular and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Offering Circular and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Applicable Transaction Terms or in a Drawdown Prospectus or Drawdown Listing Particulars (as applicable). Such information will be contained in the relevant Applicable Transaction Terms unless any of such information constitutes a significant new factor relating to the information contained in this Offering Circular in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus or Drawdown Listing Particulars (as applicable).

For a Tranche of Notes which is the subject of Applicable Transaction Terms, those Applicable Transaction Terms will, for the purposes of that Tranche only, complete this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Applicable Transaction Terms are the Conditions as completed by the relevant Applicable Transaction Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus or, as the case may be, Drawdown Listing Particulars, will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus or Drawdown Listing Particulars. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus or, as the case may be, Drawdown Listing Particulars, each reference in this Offering Circular to information being specified or identified in the relevant Applicable Transaction Terms (or Final Terms or Pricing Supplement, as the case may be) shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus or Drawdown Listing Particulars (as applicable) unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer and the Guarantor, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will include the additional terms and conditions contained in Annex 1 in the case of Equity Linked Notes, Annex 2 in the case of Inflation Linked Notes and Annex 3 in the case of Fund Linked Notes, and which, subject to completion by the relevant Final Terms (in the case of Equity Linked Notes and Inflation Linked Notes) or the relevant Pricing Supplement (in the case of Fund Linked Notes), will be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series and, subject further to simplification by deletion of non-applicable provisions, will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes, details of the relevant Series being shown on the relevant Notes or Certificates and in the relevant Final Terms or Pricing Supplement as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes which may be issued under the Programme.

The Notes are issued pursuant to an amended and restated agency agreement dated 29 July 2013 (the "**Agency Agreement**") between Santander International Products plc. as issuer (the "**Issuer**"), Banco Santander, S.A. (the "**Guarantor**"), The Bank of New York Mellon, acting through its London Branch as principal paying agent (the "**Principal Paying Agent**"), paying agent (together with the Principal Paying Agent and any additional or other paying agents in respect of the Notes from time to time appointed, the "**Paying Agents**"), transfer agent (together with any additional or other transfer agents in respect of the Notes from time to time appointed, the "**Transfer Agents**"), calculation agent and transparency directive agent, The Bank of New York Mellon as U.S. paying and transfer agent, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**"), and with the benefit of a Deed of Covenant dated 29 July 2013 (the "**Deed of Covenant**") executed by the Issuer in relation to the Notes. The Guarantor has, for the benefit of the Noteholders from time to time, executed and delivered a deed of guarantee dated 29 July 2013 (the "**Deed of Guarantee**") under which it has guaranteed the due and punctual payment of all amounts due by the Issuer under the Notes and the Deed of Covenant as and when the same shall become due and payable. The initial Calculation Agent(s) (if any) is specified on the Notes. The holders of the Notes (the "**Noteholders**" or "**Holder**s"), the holders of the interest coupons (the "**Coupons**") appertaining 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 instalment receipts (the "**Receipts**") appertaining to the payment of principal by instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents.

Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a set of Applicable Transaction Terms (the "**Applicable Transaction Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Applicable Transaction Terms. In the event of any inconsistency between these Conditions and the relevant Applicable Transaction Terms, the relevant Applicable Transaction Terms shall prevail.

1. **Definitions**

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

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Applicable Transaction Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Applicable Transaction Terms;

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the Relevant Currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Applicable Transaction Terms and, if so specified in the relevant Applicable Transaction Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Relevant Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Relevant Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Relevant Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Relevant Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Applicable Transaction Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Relevant Business Day in that calendar month;
- (ii) if any such date would otherwise fall on a day which is not a Relevant Business Day, then such date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and
- (iii) if the preceding such date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent such dates will be the last day which is a Relevant Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Person specified in the relevant Applicable Transaction Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Applicable Transaction Terms;

"Calculation Amount" means, in relation to any Notes, (i) where the Notes have only one Specified Denomination, such Specified Denomination, and (ii) where the Notes have more than one Specified Denomination, the lowest common factor of those Specified Denominations;

"CMS Linked Notes" means Notes the payment of interest on which is linked to a constant maturity swap rate;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time not comprising a complete year (whether or not constituting an Interest Period, the **"Calculation Period"**) such day count fraction as may be specified in these conditions or the relevant Applicable Transaction Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the 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);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D₂** will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms;

"**Early Termination Amount**" means, in respect of any Note except Fund Linked Notes, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms and in the case of Fund Linked Notes means the

Termination Amount (as defined in Annex 3 (*Additional Terms and Conditions for Fund Linked Notes*));

"**Equity Linked Notes**" means Single Share Linked Notes, Share Basket Linked Notes, Single Share Index Linked Notes, Share Index Basket Linked Notes, each as defined in Annex 1 of these Conditions;

"**Euro-zone**" means the member states of the European Union that are participating in the third stage of European Monetary Union;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means (i) in respect of Equity Linked Notes or Inflation Linked Notes, an amount determined in accordance with the applicable provisions of the Annex 1 or Annex 2, as applicable, and (ii) in respect of any other Note, its principal amount or, if applicable, such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in the applicable Applicable Transaction Terms, Drawdown Prospectus or Drawdown Listing Particulars (as the case may be);

"**First Interest Payment Date**" means the date specified in the relevant Applicable Transaction Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Applicable Transaction Terms;

"**Fund Linked Notes**" means Notes linked to a specified fund share or unit or basket of fund shares or units (as specified in the relevant Pricing Supplement, Drawdown Prospectus or Drawdown Listing Particulars (as the case may be));

"**Index Linked Notes**" means notes that are not Equity Linked Notes or Inflation Linked Notes the payment of principal of which and interest on which is linked to an index not maintained by an associate of the Issuer;

"**Inflation Linked Notes**" means Notes the payment of principal of which and interest on which is linked to one or more inflation indices;

"**Instalment Amount**" has the meaning given in the relevant Applicable Transaction Terms;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the date of issue of the Notes (the "**Issue Date**") or such other date as may be specified as the Interest Commencement Date in the relevant Applicable Transaction Terms;

"**Interest Determination Date**" means, with respect to an Interest Rate and Interest Period, the date specified in the relevant Applicable Transaction Terms or, if none is so specified, (i) the first day of such Interest Period if the Relevant Currency is sterling (ii) or the day falling two Relevant Business Days in London prior to the first day of such Interest Period if the Relevant Currency is not sterling, or (iii) the day falling two TARGET Settlement Days prior to the first day of such Interest Period if the Relevant Currency is Euro;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Applicable Transaction Terms and, if a Business Day Convention is specified in the relevant Applicable Transaction Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Applicable Transaction Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or

Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"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 Rate" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Applicable Transaction Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Applicable Transaction Terms;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Applicable Transaction Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Applicable Transaction Terms;

"Margin" has the meaning given in the relevant Applicable Transaction Terms;

"Maturity Date" has the meaning given in the relevant Applicable Transaction Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Applicable Transaction Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Applicable Transaction Terms;

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in, or determined in accordance with, the relevant Applicable Transaction Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Applicable Transaction Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Applicable Transaction Terms;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case, as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Applicable Transaction Terms;

"Reference Banks" has the meaning given in the relevant Applicable Transaction Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Rate" means one of LIBOR, LIBID, LIMEAN or EURIBOR, as specified in the relevant Applicable Transaction Terms;

"Regular Period" means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Business Day" means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre (as may be specified in the relevant Applicable Transaction Terms); or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre (as may be specified in the relevant Applicable Transaction Terms);

"Relevant Currency" means the currency specified as such in the relevant Applicable Transaction Terms or, if none is specified, the currency in which the Notes are denominated;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Applicable Transaction Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Applicable Transaction Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Applicable Transaction Terms;

"**Specified Currency**" has the meaning given in the relevant Applicable Transaction Terms;

"**Specified Denomination(s)**" means, in relation to any Notes, the denomination or denominations of such Notes specified as such in the relevant Applicable Transaction Terms and may be expressed as (i) a currency amounts or (ii) a currency amount and integral multiples of a second currency amount in excess of such currency amount;

"**Specified Duration**" means, with respect to any Floating Rate to be determined 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 a Business Day Convention;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Applicable Transaction Terms;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"**TARGET Settlement Day**" means any day on which TARGET2 is open.

2. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes which 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 thereon.

All Registered Notes shall have the same denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same denomination as the lowest denomination of the Exchangeable Bearer Notes.

Bearer Notes are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Notes which do not bear interest in which case references to interest (other than in relation to interest due after the Maturity Date), Coupon and Talons in these Conditions are not applicable. Any Bearer Note, the principal amount of which is redeemable in instalments, is issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**"), each Certificate representing a holding of one or more Registered Notes by the same holder.

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 which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Receipt, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Receipt, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, "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 herein, the absence of any such meaning indicating that such term is not applicable to the Notes.

All capitalised terms which are not defined in these conditions will have the meanings given to them in the relevant Applicable Transaction Terms. Those definitions will be endorsed on the Definitive Notes.

3. **Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

(a) ***Exchange of Exchangeable Bearer Notes***

Subject as provided in Condition 3(f) (*Closed Periods*), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of Registered Notes at the request in writing of the relevant holder of a Note 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 the Principal Paying Agent, the Registrar or any Transfer Agent: **provided, however, that** where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 8(b) (*Payments and Talons - Registered Notes*)) for any payment of interest or Instalment Amount, the Coupon in respect of that payment of interest or Receipt in respect of that Instalment Amount need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination. Bearer Notes which 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 upon the surrender of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate in respect of the balance not transferred will be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) ***Exercise of Options or Partial Redemption in Respect of Registered Notes***

In the case of an exercise of an option by an Issuer or a holder of Notes in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) ***Delivery of new Certificates***

Each new Certificate to be issued pursuant to Conditions 3(a) (Exchange of Exchangeable Bearer Notes), (b) (Transfer of Registered Notes) or (c) (Exercise of Options or Partial Redemption in Respect of Registered Notes) will, within three business days (being a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar to whom such request for exchange

or form of transfer shall have been delivered) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom such delivery shall have been made or, at the option of the holder making such delivery as aforesaid and as specified in the relevant request for exchange or form of transfer, be mailed at the risk of the holder entitled to the new Certificate to such address as may be specified in such request for exchange or form of transfer.

(e) ***Exchange free of charge***

Exchange and transfer of Notes on registration, transfer, partial redemption or exercise of an option will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require in respect thereof) of any tax or other governmental charges which may be imposed in relation to it.

(f) ***Closed periods***

No holder of a Note may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for a Registered Note (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 7(d) (*Redemption, Purchase and Options - Redemption at the Option of the Issuer and Exercise of Issuer's Options*) or (iii) after any such Note has been drawn for redemption in whole or in part. An Exchangeable Bearer Note called for redemption may, however, be exchanged for a Registered Note in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

(g) ***Restricted Securities***

For so long as any Registered Note is outstanding and is a "**restricted security**" (as defined in Rule 144 (a)(3) under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and during any period in relation thereto during which it is neither subject to Sections 13 or 15(d) of the United States Exchange Act of 1934 (as amended) (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuer and the Guarantor will make available on request to each holder of such Note in connection with any resale thereof and to any prospective purchaser of such Note from such holder, in each case upon request, the information specified in and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

4. **Guarantee and Status**

(a) ***Status of the Notes***

The Notes and the Receipts and Coupons relating thereto constitute direct, unconditional, unsubordinated and (without prejudice to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among the obligations of the Issuer in respect of other Notes of the same Series of the Issuer and (subject to any applicable statutory exceptions and without prejudice as aforesaid) at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

By purchasing the Notes, holders of Notes expressly waive any preference or priority that may be conferred upon them by any existing or future law over the holders of any other Notes and any other unsecured and unsubordinated debt securities issued by the Issuer, so that no Notes shall rank in any circumstances ahead of any such other Notes (provided, however, that no such waiver shall apply in respect of any other Notes which qualify as subordinated claims pursuant to Article 92 of the Insolvency Law or equivalent legal provision which replaces it in future).

(b) **Guarantee**

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes, Receipts and Coupons. The obligations of the Guarantor in respect of the Notes constitute direct, unconditional, unsubordinated and (without prejudice to Condition 5 (*Negative Pledge*)) unsecured obligations of the Guarantor and rank *pari passu* without any preference in respect of other Notes of the same Series and in the event of the insolvency (*concurso*) of the Guarantor will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such payment obligations that are preferred by law under Articles 84.2, 90 and 91 or, as the case may be, that are qualified as subordinated debt by law under Article 92, of Spanish Law 22/2003 on insolvency (*Ley Concursal*) dated 9 July 2003 ("**Law 22/2003**") or equivalent legal provisions which replace them in the future. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.

As used in these Conditions, "Relevant Indebtedness" means any indebtedness of the Guarantor arising on or after 3 February 2005, any indebtedness of the Issuer or any other person or entity in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over the counter market or other securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so quoted, listed or ordinarily dealt in if the terms of the issue thereof expressly so provide) and where more than 50 per cent. thereof in aggregate principal amount are initially offered, sold or distributed outside Spain; provided, however, that Relevant Indebtedness shall not include any indebtedness which is secured upon, or has a preferential right to, a specified pool of assets or revenues present or future, including, without limitation, *cédulas hipotecarias* issued in accordance with Ley 2/1981, de 25 de Marzo, *de regulación del mercado hipotecario* ("**Law 2/81**") and Real Decreto 716/2009 of 24 April which develops the Law 2/81, as amended or superseded from time to time ("*Cédulas Hipotecarias*") or *Cédulas Territoriales*.

5. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement) or any amount remains payable under the Deed of Guarantee, neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge or lien on or over any part of its present or future assets, undertakings or revenues as security for any Relevant Indebtedness or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under such Notes or, as the case may be, the Guarantor's obligations under the Deed of Guarantee (i) are secured equally and rateably therewith or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders; **provided, however, that** the Guarantor may accord any preference or priority in relation to any charge created or arising either in the carrying on of part of its banking business or in respect of its obligations with the *Banco de España* (or its successor) if, in the case of part of its banking business, an expert (which expression shall for this purpose include an officer of the Guarantor nominated in good faith for such purpose by the Guarantor) certifies to the Principal Paying Agent that such matter is part of, or permitted to be part of the Guarantor's banking business.

Nothing in this Condition 5 shall prevent the Issuer or the Guarantor from creating or having outstanding any mortgage, lien (other than a lien arising by operation of law), pledge, charge or other security interest (for purposes of this Condition, each a "**Security**") upon, or with respect to, any of its present or future assets or revenues or any part thereof which is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice in Spain (where applicable)

and whereby the Relevant Debt (as defined below) (or any guarantee or other obligation in respect of any Relevant Debt) secured by such Security or having the benefit of such secured guarantee or other obligation is limited to the value of such assets or revenues.

For the purposes of the foregoing paragraph in this Condition, "**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or

other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in any listing authority, stock exchange, quotation system, over-the-counter or other securities market, having an original maturity of more than one year from its date of issue.

6. Interest Provisions

(a) Fixed Rate Note Provisions

- (i) *Application:* This Condition 6(a) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable.
- (ii) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments and Talons*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6(a) (as well after as before judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or Registrar (as the case may be) has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (iii) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (iv) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(b) *Floating Rate and CMS Linked Note Provisions*

- (i) *Application:* This Condition 6(b) is applicable to the Notes only if the Floating Rate Note Provisions, CMS Linked Note provisions, Equity Linked Note Provisions or Inflation Linked Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable or if the Index Linked Note provisions are specified in the relevant Pricing Supplement or Drawdown Prospectus or Drawdown Listing Particulars (as the case may be) as being applicable.
- (ii) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments and Talons*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying

Agent or Registrar (as the case may be) has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (iii) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Applicable Transaction Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate for each Interest Period will be determined by the Calculation Agent on the following basis and the Rate of Interest shall be determined in accordance with Condition 6(b)(v):
- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (C) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (1) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean of such quotations; and
 - (D) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (iv) *ISDA Determination:* If ISDA Determination is specified in the relevant Applicable Transaction Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate applicable to the Notes for each Interest Period will be the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Applicable Transaction Terms;
 - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Applicable Transaction Terms; and
 - (C) the relevant Reset Date (as defined in the ISDA Definitions) is either (X) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (Y) in any other case, as specified in the relevant Applicable Transaction Terms.
- (v) *Rate of Interest:* the Rate of Interest in relation to the Notes shall be determined as follows:
- (A) If "Margin Plus Rate" is specified as applicable in the applicable Applicable Transaction Terms, the Rate of Interest will be equal to the Margin plus the Rate;
 - (B) If "Specified Percentage Multiplied by Rate" is specified in the applicable Applicable Transaction Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by the Rate; or
 - (C) If "Difference in Rates" is specified in the applicable Applicable Transaction Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by (Rate – Rate 2), each of Rate and Rate 2 to be determined in accordance with Condition 6(b)(iii) or (iv), as applicable.
- (vi) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Applicable Transaction Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (vii) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (viii) *Calculation of other amounts:* If the relevant Applicable Transaction Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Applicable Transaction Terms.
- (ix) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest

Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (x) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(c) ***Dual Currency Note Provisions***

- (i) *Application:* This Condition 6(c) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Applicable Transaction Terms as being applicable.
- (ii) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Applicable Transaction Terms.

(d) ***Equity Linked, Inflation Linked and Index Linked Note Provisions***

If one of more of the Equity Linked or Inflation Linked or Index Linked Note provisions are specified in the relevant Applicable Transaction Terms, Drawdown Prospectus or Drawdown Listing Particulars (as the case may be) as being applicable, the interest payable in respect of the Notes for each Interest Period will be determined in accordance with the applicable provisions of Annex 1, Annex 2 or in the case of Index Linked Notes, in the relevant Pricing Supplement as applicable.

(e) ***Fund Linked Notes***

If the Fund Linked Note provisions are specified in the relevant Pricing Supplement, Drawdown Prospectus or Drawdown Listing Particulars (as the case may be) as being applicable, the additional terms and conditions set out in Annex 3 will be applicable to the extent so specified in the relevant Pricing Supplement.

7. **Redemption, Purchase and Options**

(a) ***Final Redemption***

Unless previously redeemed, purchased and cancelled as provided below, each Note will be redeemed at its Final Redemption Amount (which, unless otherwise provided, is its principal amount) on the Maturity Date.

(b) ***Redemption for taxation reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Ireland or the Kingdom of Spain or any political subdivision or any authority thereof or therein

having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligations cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes (or either Guarantee, as the case may be) were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent a certificate signed by a director of the Issuer (or the Guarantor, as the case may be) stating that the Issuer (or the Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) ***Purchases***

The Issuer, the Guarantor and any of the Guarantor's Subsidiaries 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.

(d) ***Redemption at the Option of the Issuer and Exercise of Issuer's Options***

- (i) Subject to paragraph (v) below, if so provided hereon, the Issuer may on giving irrevocable notice to the Noteholders of not less than 30 days nor more than 60 days, redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Optional Redemption Amount (Call) together with interest accrued to the date fixed for redemption.
- (ii) 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.
- (iii) In the case of a partial redemption or a partial exercise of an Issuer's option the notice to Noteholders shall also contain the serial numbers of the Notes to be redeemed, which shall have been drawn in such place as the Principal Paying Agent may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and competent authority, stock exchange and/or quotation system requirements.
- (iv) Notes to be redeemed, which shall have been drawn in such place as the Principal Paying Agent may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and competent authority, stock exchange and/or quotation system requirements.

(e) ***Redemption at the Option of Noteholders and holders' Exercise of Noteholders Options***

- (i) Subject to paragraph (iii) below, the Issuer shall, at the option of the holder of any such Note, redeem such Note on the date or dates so provided at its Optional Redemption Amount (Put) together with interest accrued to the date fixed for redemption.
- (ii) To exercise such option or any other option of a holder of Notes which may be set out hereon the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Certificate representing such Note(s) with the Registrar or any Transfer Agent (in the case of Registered Notes) 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) not less than 30 and not more than 60 days prior to the relevant date fixed for redemption. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) ***Redemption by Instalments***

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, each Note which provides for Instalment Dates and Instalment Amounts will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Note shall be reduced by the Instalment Amount for all purposes.

(g) ***Cancellation***

All Notes purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, will, 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 and the Guarantor in respect of any such Notes shall be discharged.

8. **Payments and Talons**

(a) ***Bearer Notes***

Payments of principal and interest in respect of Bearer Notes will, 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 Receipts are 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 8(f)(vi) (*Unmatured Coupons and Receipts and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii) (*Unmatured Coupons and Receipts and unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre of that currency; and in the case of Euro, by cheque drawn on, or by transfer to, a Euro account to which Euro may be credited or transferred as specified by the payee.

(b) ***Registered Notes***

(i) Payments of principal (which for the purposes of this Condition 8(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes will be made against presentation and surrender of the relevant Certificates 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 8(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes will be paid to the person shown on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for payment thereof (the "**Record Date**") where "Clearing System Business Day" means a day on which each clearing system for which the Registered Note is being held is open for business. Payments of interest on each Registered Note will be made in the

currency in which such payments are due by cheque drawn on a bank in the principal financial centre of the country of the currency concerned or, if the currency is euro, in such financial centre or centres in the Euro-zone as designated by the Registrar and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register maintained by the Registrar. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the Relevant Currency designated by the holder with a bank in the principal financial centre of the country of that currency or, if the currency is euro, in such financial centre in the Euro-zone notified to the Registrar by such holder.

(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 Laws, Regulations and Directives***

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulation, agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Appointment of Agents***

The Principal Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Calculation Agent, the Registrar or any Transfer Agent and to appoint additional or other agents **provided that** the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a Calculation Agent where the Conditions so require one, (v) Paying Agents having a specified office in at least two major European cities (including Dublin so long as the Notes are listed on the GEM or the regulated market of the Irish Stock Exchange and the rules of such exchange so require), (vi) a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of ECOFIN Council meeting of 26-27 November 2000 and (vii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, such other agents as are required by such competent authority, stock exchange and/or quotation system.

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

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 15 (*Notices*).

(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 unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will 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 10 (*Prescription*)).
- (ii) If the relevant Notes so provide, upon the due date for redemption of any Bearer Note, unexpired 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 unexpired 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 which is redeemable in instalments, all Receipts relating to such Note having an Instalment Date failing 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 which provides that the relative Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons and any unexpired Talon relating to it, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provisions 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 Certificate representing it, as the case may be. Interest accrued on a Note which only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate 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 Principal Paying Agent in exchange for a further Coupon Sheet (and if necessary another Talon for a further Coupon Sheet) (but excluding any Coupons which may have become void pursuant to Condition 10 (*Prescription*)).

(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.

9. **Taxation**

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by the Issuer or (as the case may be) the Guarantor under the Deed of Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Ireland or any authority therein or thereof having power to tax or the Kingdom of Spain or any authority therein or thereof having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders and the Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, Receipts or (as the case may be) Coupons, in the absence of such withholding or deduction; except that no additional amounts shall be payable with respect to any payment in respect of any Note, Receipt or Coupon or (as the case may be) under the Deed of Guarantee to, or to a third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain, if the Spanish Tax Authorities determine that payments made to such individuals are not exempt from withholding tax and require a withholding to be made; or

- (a) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day;
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union;
- (d) to, or to a third party on behalf of, Spanish resident corporate entities subject to Spanish Corporate Income Tax, if the Spanish Tax Authorities determine that the Notes do not comply with applicable exemption requirements, including those specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Notwithstanding any other provision in these Terms and Conditions, the Issuer or, as the case may be, the Guarantor shall be permitted to withhold or deduct any amounts required by the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer or the Guarantor not being entitled to receive payments free of FATCA withholding. The Issuer or, as the case may be, the Guarantor will have no obligation to pay additional amounts or otherwise indemnify a Holder for any such FATCA withholding deducted or withheld by the Issuer, the Guarantor, any Paying Agent or any other party.

10. **Prescription**

Claims against the Issuer and the Guarantor 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 ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

11. **Events of Default**

If any of the following events (each an "**Event of Default**") occurs and is continuing, the holder of a Note of any Series may give written notice to the Principal Paying Agent at its specified office that such Note is immediately repayable, whereupon the Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable.

- (a) if default is made in the payment of any interest or principal due in respect of the Notes or any of them and such default continues for a period of seven days;
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Notes, the Deed of Guarantee or the Agency Agreement and (except in the case where such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a holder of a Note on the Issuer of notice requiring the same to be remedied; or
- (c) if any Indebtedness for Borrowed Money (as defined below) of the Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or the Guarantor fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for such payment or within any originally applicable grace period or any security given by the Issuer or the Guarantor for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same or if default is made by the Issuer or the Guarantor in making any payment when due (or within any applicable grace period in respect thereof) under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, **provided that** no such event as aforesaid shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other liability relative thereto either alone or when aggregated with other Indebtedness for Borrowed Money and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least U.S.\$50,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution passed for the winding up, examination or dissolution of the Issuer or the Guarantor unless it is done in connection with a merger, amalgamation or reconstruction or other form of business combination with another company (in the case of the Guarantor, such company to be part of a financial group) and that company assumes all the obligations of the Issuer or the Guarantor, as the case may be, in connection with the Notes, whether by express assumption or by application of law; or
- (e) if the Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, except for the purposes of a reconstruction, merger or amalgamation or other form of business combination with another company (in the case of the Guarantor, such company to be part of a financial group) and that company assumes all the obligations of the Issuer or the Guarantor, as the case may be, in connection with the Notes, whether by express assumption or by application of law, or the Issuer or the Guarantor stops, suspends or threatens to stop or suspend payment of, or is unable to, or admits inability to, pay all or a material part of its debts (or any class thereof) as they fall due, or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or any class of) the debts of the Issuer or the Guarantor, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is (or could be deemed by law or a court to be) adjudicated or found bankrupt or insolvent
- (f) if (i) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, examination, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, examiner, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or in relation to the whole or a part of the undertaking or assets of either of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (ii) in any case is not discharged within 14 days; or
- (g) if the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, examination, insolvency, composition, reorganisation or

other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or

- (h) the Issuer ceases to be wholly-owned and controlled by the Guarantor; or
- (i) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Deed of Guarantee admissible in evidence in the courts of Ireland or the Kingdom of Spain is not taken, fulfilled or done; or
- (j) if the Deed of Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under the Deed of Guarantee or the Deed of Guarantee is claimed by the Issuer or the Guarantor not to be in full force and effect; or
- (k) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs including, but not limited to, *suspensión de pagos* or *quiebra*.

As used herein "Indebtedness for Borrowed Money" means (a) money borrowed and premiums and accrued interest in respect thereof, (b) liabilities under or in respect of any acceptance or acceptance credit or (c) the principal and premium (if any) and accrued interest in respect of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part of a consideration other than cash.

12. Meetings of Noteholders and Modifications

(a) *Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interest, including modification by Extraordinary Resolution (or, as the case may be, written resolution which shall take effect as if it were an Extraordinary Resolution) of the Notes (including these Conditions insofar as the same may apply to such Notes). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest thereon, (ii) to reduce or cancel the principal amount of any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Interest Amount in respect thereof, (iv) if a Minimum and/or a Maximum Interest Rate, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to change any method of calculating the Redemption Amount, (vi) to change the currency or currencies of payment or denomination of the Notes, (vii) to take any steps which as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders (or at any adjournment thereof) at which a special quorum (provided for in the Agency Agreement) is present.

These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement, Drawdown Listing Particulars or Drawdown Prospectus in relation to such Series. These Conditions may be completed in

relation to any Series of Notes by the terms of the relevant Final Terms in relation to such series.

(b) ***Modification of Agency Agreement***

The Issuer and the Guarantor 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, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and competent authority, stock exchange and/or quotation system requirements, at the specified office of the Principal Paying Agent (in the case of the Bearer Notes, Receipts, Coupons or Talons) and the Registrar (in the case of Certificates) 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 accordance with Condition 15 (*Notices*), 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, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, 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 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 will 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.

Notices to the Holders of Bearer Notes will be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice will be validly given if published in another leading daily English language newspaper of 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 to the Holders of Bearer Notes in accordance with this Condition.

16. **Substitution of the Issuer**

(a) The Issuer and the Guarantor may at any time, without the consent of the Noteholders or the Couponholders, substitute for such Issuer any company (the "**Substitute**") upon notice to the Holders by such Issuer, the Guarantor and the Substitute to be given in accordance with Condition 15 (*Notices*), **provided that:**

- (i) no payment in respect of the Notes, the Receipts or the Coupons or the Deed of Guarantee (as the case may be) is at the relevant time overdue;
- (ii) the Substitute shall, by means of a deed poll in the form scheduled to the Agency Agreement as Schedule 4 (the "**Deed Poll**"), agree to indemnify each holder and

- Couponholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
- (iii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant shall be unconditionally and irrevocably guaranteed by the Guarantor by means of the Deed Poll;
 - (iv) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect;
 - (v) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
 - (vi) legal opinions shall have been delivered to the Principal Paying Agent from lawyers of recognised standing in each jurisdiction referred to in (ii) above, in Spain and in England as to the fulfilment of the requirements of this Condition 16 and the other matters specified in the Deed Poll and that the Notes, Receipts, Coupons and Talons are legal, valid and binding obligations of the Substitute;
 - (vii) each competent authority, stock exchange and/or quotation system by which the Notes are admitted to listing, trading and/or quotation shall have confirmed that, following the proposed substitution of the Substitute, the Notes will continue to be admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system;
 - (viii) Standard & Poor's, Fitch and/or Moody's as the case may be, shall have confirmed that following the proposed substitution of the Substitute, the credit rating of the Notes will not be adversely affected; and
 - (ix) if applicable, the Substitute has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes.
- (b) Upon the execution of the Deed Poll and the delivery of the legal opinions, the Substitute shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Notes and the Agency Agreement with the same effect as if the Substitute had been named as the Issuer herein, and the Issuer shall be released from its obligations under the Notes and under the Agency Agreement.
 - (c) After a substitution pursuant to Condition 16(a), the Substitute may, without the consent of any holder, effect a further substitution. All the provisions specified in Condition 16(a) and 16(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substitute.
 - (d) After a substitution pursuant to Condition 16(a) or 16(c) any Substitute may, without the consent of any holder, reverse the substitution, *mutatis mutandis*.
 - (e) The Deed Poll and all documents relating to the substitution shall be delivered to, and kept by, the Principal Paying Agent. Copies of such documents will be available free of charge at the specified office of each of the Paying Agents.

17. **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 the Guarantor or otherwise) by any holder of Notes or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt which 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, failing whom the Guarantor, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the holder of Notes 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 and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of Notes or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt of any other judgment or order.

18. **Governing Law and Jurisdiction**

(a) ***Governing law***

The Notes, Receipts, Coupons and Talons and all non-contractual obligations arising out of or in connection with the Notes, Receipts, Coupons and Talons are governed by, and construed in accordance with, English law, save for the status of the guarantee which is governed by Spanish law.

(b) ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Notes, Receipts, Coupons and/or Talons (including a dispute relating to the existence, validity or termination of the Notes, Receipts, Coupons and/or Talons or any non-contractual obligation arising out of or in connection with the Notes, Receipts, Coupons and/or Talons) or the consequences of their nullity (a "**Dispute**").

(c) ***Appropriate forum***

Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) ***Rights of the Noteholders to take proceedings outside England***

Condition 18(b) (*English courts*) is for the benefit of the holders of the Notes, Receipts, Coupons and/or Talons only. As a result, nothing in this Condition 18 prevents any holder of a Note, Receipt, Coupon or Talon from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, holders of Notes, Coupons, Receipts and/or Talons may take concurrent Proceedings in any number of jurisdictions.

(e) ***Process agent***

Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Banco Santander, S.A., London branch, Attn.: Operations department / Jim Inches, 2 Triton Square, Regent's Place, London NW1 3AN

or, if different, its registered office for the time being or at any address of the Issuer or Guarantor, as the case may be, in Great Britain at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuers or the Guarantor, as the case may be, the Issuer and the Guarantor (acting together) shall, on the written demand of any holder of Notes addressed and delivered to the Issuer and the Guarantor or to the Specified Office of the Principal Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any holder of Notes shall be entitled to appoint such a person by written notice addressed to the Issuer and Guarantor and delivered to the Issuer and Guarantor or to the Specified Office of the Principal Paying Agent. Nothing in this paragraph shall affect the right of any holder of Notes to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

19. **Rights of Third Parties**

No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

ANNEX 1
PROVISIONS RELATING TO EQUITY LINKED NOTES

This Annex 1 (*Provisions Relating to Equity Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being one of the following Notes:

- (i) Notes the payment of principal of which and interest on which is linked to the Shares of an entity not affiliated with the Issuer ("**Single Share Linked Notes**");
- (ii) Notes the payment of principal of which and/or interest on which is linked to a basket of Shares of entities not affiliated with the Issuer ("**Share Basket Linked Notes**");
- (iii) Notes the payment of principal of which and/or interest on which is linked to a single index of Shares not prepared by entities affiliated with the Issuer ("**Single Share Index Linked Notes**"); and
- (iv) Notes the payment of principal of which and interest on which is linked to a basket of indices of Shares not prepared by entities affiliated with the Issuer ("**Share Index Basket Linked Notes**").

In this Annex 1, references to "**Share**" and "**Share Index**" shall have the meanings given to them in the applicable Applicable Transaction Terms.

Section 1

Payment Provisions

Part 1

If Structure 1 is specified as applicable in the Applicable Transaction Terms the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if the Final Price of the Share is higher than Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$$

- (b) if the Final Price of the Share is equal to or lower than Strike Price, Coupon B (which may be zero).

1.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Definitions

"**Coupon B**" means an amount equal to the product of (i) the Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the relevant Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Final Price Date.

"**Final Price Date**" has the meaning given in the relevant Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Price of the Share on Initial Price Date.

"**Initial Price Date**" has the meaning given in the relevant Applicable Transaction Terms.

"**Official Closing Price**" means, on any day, the official closing price of the Share.

"**Strike Price**" means a percentage of the Initial Price as specified in the relevant Applicable Transaction Terms.

2. **Single Share Index Linked Notes**

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

(a) if the Final Price of the Share Index is higher than Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$$

(b) if the Final Price of the Share Index is equal to or lower than the Strike Price, Coupon B (which may be zero).

2.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Definitions

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given in the relevant Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" has the meaning given in the relevant Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" has the meaning given in the relevant Applicable Transaction Terms.

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Strike Price**" means a percentage of the Initial Price as specified in the relevant Applicable Transaction Terms.

3. **Share Basket Linked Notes (Worst of European Call)**

In relation to Share Basket Linked Notes only, the following terms will apply.

3.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) If the Final Price of each and every Share in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{FinalPrice}_{(a)} - \text{StrikePrice}_{(a)}}{\text{InitialPrice}_{(a)}} \right)$$

Where:

"**Final Price**_(a)" is the Final Price of the Share of the Basket with the lowest Depreciation Ratio.

"**Initial Price**_(a)" is the Initial Price of the Share of the Basket with the lowest Depreciation Ratio.

"**Strike Price**_(a)" is the Strike Price of the Share of the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means $\left(\frac{\text{FinalPrice}}{\text{InitialPrice}} \right)$

- (b) Otherwise, Coupon B (which may be zero).

3.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Definitions

"**Basket**" means each and every Share specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given in the Applicable Transaction Terms.

"**Final Price**" means, for each Share comprised in the Basket, the Official Closing Price of the Share on the Final Price Date.

"**Final Price Date**" has the meaning given in the Applicable Transaction Terms.

"**Initial Price**" means, for each Share comprised in the Basket, the Official Closing Price of the Share on Initial Price Date.

"**Initial Price Date**" has the meaning given in the Applicable Transaction Terms.

"**Official Closing Level**" means, on any day, the official closing price of the Share.

"**Strike Price**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

4. Share Index Basket Linked Notes (Worst of European Call)

In relation to Share Index Basket Linked Notes only, the following terms will apply.

4.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) If the Final Price of all the Indices comprised in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price}_{(a)} - \text{Strike Price}_{(a)}}{\text{Initial Price}_{(a)}} \right)$$

Where:

"**Final Price**_(a)" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Initial Price**_(a)" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Strike Price**_(a)" is the Strike Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means $\left(\frac{\text{Final Price}}{\text{Initial Price}} \right)$

- (b) Otherwise, Coupon B (which may be zero).

4.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Definitions

"**Basket**" means each and every Share Index specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given in the Applicable Transaction Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" has the meaning given in the Applicable Transaction Terms.

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" has the meaning given in the Applicable Transaction Terms.

"**Official Closing Level**" means, on any day, the official closing level of the Share.

"**Strike Price**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

Part 2

If Structure 2 is specified as applicable in the Applicable Transaction Terms the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Price of the Share is at any point equal to or higher than Barrier A, Coupon A; or
- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Price of the Share is not at any point equal to or higher than Barrier A:
 - (i) if the Final Price of the Share is higher than the Initial Price, the following Coupon B:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$

- (ii) if the Final Price of the Share is equal to or lower than the Initial Price, Coupon C (which may be zero).

1.2 Redemption

On the Maturity Date, the Notes will be redeemed at par, and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Coupon A Percentage**" has the meaning given in the applicable Applicable Transaction Terms.

"**Coupon A**" means an amount equal to the product of (i) the Calculation Amount and (ii) the Coupon A Percentage.

"**Coupon C Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Coupon C**" means an amount equal to the product of (i) the Calculation Amount and (ii) the Coupon C Percentage.

"**Final Price Date**" has the meaning given in the relevant Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Final Price Date.

"**Initial Price Date**" has the meaning given in the relevant Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Price of the Share on Initial Price Date.

"**Official Closing Price**" means, on any day, the official closing price of the Share.

2. Single Share Index Linked Notes

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index is at any point equal to or higher than Barrier A, Coupon A; or
- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index has never been equal to or higher than Barrier A:
 - (i) if the Final Price of the Share Index is higher than the Initial Price, the following Coupon B:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$

- (ii) if the Final Price of the Share Index is equal to or lower than the Initial Price, Coupon C (which may be zero).

2.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Definitions

"Barrier A" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Coupon A Percentage" has the meaning given in the applicable Applicable Transaction Terms.

"Coupon A" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

"Coupon C Percentage" has the meaning given in the applicable Applicable Transaction Terms.

"Coupon C" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon C Percentage.

"Final Price Date" has the meaning given in the applicable Applicable Transaction Terms.

"Final Price" means the Official Closing Level of the Share Index on the Final Price Date.

"Initial Price Date" has the meaning given in the applicable Applicable Transaction Terms.

"Initial Price" means the Official Closing Level of the Share Index on Initial Price Date.

"Official Closing Level" means, on any day, the official closing price of the Index.

Part 3

If Structure 3 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply:

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if the Final Price of the Share is higher than Initial Price, the following Coupon A:

$$\text{Calculation Amount} \times \text{Min} \left(\text{Cap Level}; \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right) \right)$$

- (b) otherwise, the Interest Amount will be equal to Coupon B (which could be zero).

1.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Definitions

"**Cap Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Coupon B**" means the product of (i) the Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the maximum Official Closing Price of the Share during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it the applicable Applicable Transaction Terms.

"**Official Closing Price**" means, on any day, the official closing price of the Share.

2. Single Share Index Linked Notes

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if the Final Price of the Share Index is higher than Initial Price, the following Coupon A:

$$\text{Calculation Amount} \times \text{Min} \left(\text{Cap Level}; \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right) \right)$$

- (b) otherwise, Coupon B (which could be zero).

2.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Definitions

"**Cap Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Coupon B**" means the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the maximum Official Closing Level of the Share Index during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Official Closing Level**" means on any day, the official closing level of the Index.

3. **Share Basket Linked Notes**

In relation to Share Basket Linked Notes only, the following provisions will apply.

3.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Min} \left(\text{CapLevel}; \left(\frac{\sum_{i=1}^J \frac{\text{FinalPrice}_i - \text{InitialPrice}_i}{\text{InitialPrice}_i}}{J} \right) \right)$$

Where:

"**Final Price_i**" is the Final Price of the Share_i.

"**Initial Price_i**" is the Initial Price of the Share_i.

"**J**" is the total number of Shares comprised in the Basket.

3.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Definitions

"**Basket**" means each and every Share specified in the applicable Applicable Transaction Terms.

"**Cap Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share in the Basket, the Official Closing Price on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the maximum Official Closing Price of all the Shares comprised in the Basket during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Official Closing Price**" means on any day, the official closing price of a Share.

4. Share Index Basket Linked Notes

In relation to Share Index Basket Linked Notes only, the following terms will apply.

4.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Calculation Amount} \times \text{Min} \left(\text{Cap Level}; \left(\frac{\sum_{i=1}^J \frac{\text{FinalPrice}_i - \text{InitialPrice}_i}{\text{InitialPrice}_i}}{J} \right) \right)$$

Where:

"**Final Price_i**" is the Final Price of the Share Index_i.

"**Initial Price_i**" is the Initial Price of the Share Index_i.

"**J**" is the total number of Shares comprised in the Basket.

4.2 Redemption

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Definitions

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Cap Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the maximum Official Closing Level of all the Share Indices comprised in the Basket during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Official Closing Level**" means on any day, the official closing level of a Share Index.

Part 4

If Structure 4 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i);
- (b) if the Official Closing Price of the Share on Valuation Date_(i) is lower than Barrier A, Coupon B (which may be zero).

1.2 Redemption Amounts

Redemption of the Notes will be by Instalment as follows:

- (a) on Instalment Date₍₁₎ if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount₍₁₎ per Calculation Amount; or
- (b) on the Maturity Date, if the Notes have not been previously redeemed, the Notes will be fully redeemed in an amount equal to Instalment Amount₍₂₎ per Calculation Amount.

1.3 Early Redemption Provision

If the Official Closing Price of the Share on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be early redeemed at par on the Early Redemption Date_(i) at an amount equal to Calculation Amount B per Calculation Amount.

1.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Calculation Amount B**" means an amount equal to the difference between the Calculation Amount and Instalment Amount₍₁₎.

"**Coupon A_(i)**" means, for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount B and (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" has the meaning given in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) the Coupon B Percentage and (ii) Calculation Amount B.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Valuation Date_(N).

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Instalment Amount**₍₁₎" means the product of (i) the Instalment Amount Percentage and (ii) the Calculation Amount.

"**Instalment Amount**₍₂₎" means an amount determined as follows:

- (a) if the Final Price of the Share is equal to or higher than Barrier C, Calculation Amount B
- (b) if the Final Price of the Share is lower than Barrier C:

$$\text{Calculation Amount B} \times \left[\frac{\text{Final Price}}{\text{Initial Price}} \right]$$

"**Instalment Amount Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Instalment Date**₍₁₎" has the meaning given to it in the applicable Applicable Transaction Terms

"**Interest Payment Date**_(i)" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of the Share.

"**Valuation Date**_(i)" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

2. **Single Share Index Linked Notes**

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

2.2 Redemption Amounts

Redemption of the Notes will be by Instalment as follows.

- (a) On Instalment Date₍₁₎ if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount₍₁₎ per Calculation Amount.
- (b) On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be fully redeemed in an amount equal to Instalment Amount₍₂₎ per Calculation Amount.

2.3 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be early redeemed at par on the Early Redemption Date_(i) at an amount equal to Calculation Amount B per Calculation Amount.

2.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Calculation Amount B**" means an amount equal to the difference between the Calculation Amount and Instalment Amount₍₁₎.

"**Coupon A_(i)**" means for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount B and (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) the Coupon B Percentage and (ii) Calculation Amount B.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on Valuation Date_(N).

"**Initial Price**" means the Official Closing Level of the Share Index on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Instalment Amount₍₁₎**" means the product of (i) the Instalment Amount Percentage and (ii) the Calculation Amount.

"**Instalment Amount₍₂₎**" means an amount determined as follows:

- (a) if the Final Price of the Share Index is equal to or higher than Barrier C, Calculation Amount B; or
- (b) if the Final Price of the Share Index is lower than Barrier C:

$$\text{Calculation Amount B} \times \left[\frac{\text{Final Price}}{\text{Initial Price}} \right]$$

"**Instalment Amount Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Instalment Date₍₁₎**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"N" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of the Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

3. **Share Basket Linked Notes**

In relation to Share Basket Linked Notes only, the following terms will apply.

3.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount will be payable per Calculation Amount on Interest Payment Date_(i):

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier A the Interest Amount will be equal to Coupon A_(i); or
- (b) if the Official Closing Price of at least one of the Shares comprised in the Basket on Valuation Date_(i) is lower than Barrier A, the Interest Amount will be equal to Coupon B (which could be zero).

3.2 Redemption Amounts

Redemption of the Notes will be by Instalment as follows:

- (a) on Instalment Date₍₁₎, if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount₍₁₎ per Calculation Amount; and
- (b) on Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full at an amount equal to Instalment Amount₍₂₎ per Calculation Amount.

3.3 Early Redemption Provision

If the Official Closing Price of all the Shares comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be early redeemed at par on the Early Redemption Date_(i) at an amount equal to Calculation Amount B.

3.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share as set out in the applicable Applicable Transaction Terms.

"**Calculation Amount B**" means an amount equal to the difference between the Calculation Amount and Instalment Amount₍₁₎.

"**Coupon A_(i)**" means, for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount B (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) the Coupon B Percentage and (ii) Calculation Amount B.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share comprised in the Basket, the Official Closing Price on Valuation Date_(N).

"**Initial Price**" means, for each Share comprised in the Basket the Official Closing Price on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Instalment Amount₍₁₎**" means the product of (i) the Instalment Amount Percentage and (ii) the Calculation Amount.

"**Instalment Amount₍₂₎**" means amount in Euros determined as follows:

- (a) if the Final Price of all the Shares comprised in the Basket is equal to or higher than Barrier C, Calculation Amount B;
- (b) if the Final Price of at least one of the Shares comprised in the Basket is lower than Barrier C:

$$\text{Calculation Amount B} \times \left[\frac{\text{Final Price(A)}}{\text{Initial Price(A)}} \right]$$

Where:

"**Initial Price (A)**" is the Initial Price of the Share of the Basket with the lowest Depreciation Ratio;

"**Final Price (A)**" is the Final Price of the Share of the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\left(\frac{\text{Final Price}}{\text{Initial Price}} \right)$

"**Instalment Amount Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Instalment Date₍₁₎**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of a Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. **Share Index Basket Linked Notes**

In relation to Share Index Basket Linked Notes only, the following terms will apply.

4.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount will be payable on Interest Payment Date_(i):

- (a) if the Official Closing Level of each and every Share Index in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of at least one of the Share Indices in the Basket on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

4.2 Redemption Amounts

Redemption of the Notes will be by Instalment as follows:

- (a) On Instalment Date₍₁₎ if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount₍₁₎.
- (b) On Maturity Date, if the Notes have not been previously redeemed the Notes will be redeemed in full at an amount equal to Instalment Amount₍₂₎.

4.3 Early Redemption Provision

If the Official Closing Level of all the Share Indices in the Basket on Valuation Date_(i) is equal to or higher than the Barrier B, each Note will be early redeemed at par on the Early Redemption Date_(i) at any amount equal to Calculation Amount B.

4.4 Definitions

"Barrier A" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Barrier B" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Barrier C" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Basket" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"Calculation Amount B" means an amount equal to the difference between the Calculation Amount and Instalment Amount₍₁₎.

"Coupon A_(i)" means, for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount B and (ii) the relevant Coupon A Percentage_(i).

"Coupon A Percentage_(i)" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"Coupon B" means an amount equal to the product of (i) the Coupon B Percentage and (ii) Calculation Amount B.

"Coupon B Percentage" has the meaning given to it in the applicable Applicable Transaction Terms.

"Early Redemption Date_(i)" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"Final Price" means, for each Share Index in the Basket, the Official Closing Level on Valuation Date_(N).

"Initial Price" means, for each Share Index in the Basket the Official Closing Level on the Initial Price Date.

"Initial Price Date" has the meaning given to it in the applicable Applicable Transaction Terms.

"Instalment Amount₍₁₎" means the product of (i) the Instalment Amount Percentage and (ii) the Calculation Amount.

"Instalment Amount₍₂₎" means amount determined as follows.

- (a) if the Final Price of all the Share Indices comprised in the Basket is equal to or higher than Barrier C, Calculation Amount B.
- (b) if the Final Price of at least one of the Share Indices comprised in the Basket is lower than Barrier C:

$$\text{Calculation Amount B} \times \left[\frac{\text{Final Price(A)}}{\text{Initial Price(A)}} \right]$$

Where:

"Initial Price (A)" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio;

"Final Price (A)" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio; and

"Depreciation Ratio" means $\left(\frac{\text{Final Price}}{\text{Initial Price}} \right)$

"Instalment Date₍₁₎" has the meaning given to it in the applicable Applicable Transaction Terms.

"Interest Payment Date_(i)" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"N" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"Official Closing Level" means on any day, the official closing price of a Share Index.

"Valuation Date_(i)" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Part 5

If Structure 5 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per calculation Amount will be payable on Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of the Share on Valuation Date_(i), is lower than Barrier A, Coupon B (which may be zero).

1.2 Early Redemption Provision, if it is specified as applicable in the applicable Applicable Transaction Terms:

If the Official Closing Price of the Share on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed in full at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share is equal to or higher than the Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share is lower than the Barrier C, at an amount equal to the following per Calculation Amount:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}, \frac{\text{FinalPrice}}{\text{BarrierC}} \right]$$

1.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of a Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

2. **Single Share Index Linked Notes**

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on the Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, Coupon B (which may be zero).

2.2 Early Redemption Provision, if it is specified as applicable in the applicable Applicable Transaction Terms:

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed in full at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of the Share Index is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share Index is lower than Barrier C, at an amount equal to the following per Calculation Amount:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}, \frac{\text{FinalPrice}}{\text{BarrierC}} \right]$$

2.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of a Share Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

3. Share Basket Linked Notes

In relation to Share Basket Linked Notes only, the following provisions will apply.

3.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of each and every the Share in the Basket on Interest Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of at least one of the Shares in the Basket on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

3.2 Early Redemption Provision, if it is specified as applicable in the applicable Applicable Transaction Terms:

If the Official Closing Price of all the Shares in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed in full at par on the Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed as follows:

- (a) if the Final Price of each and every Share in the Basket is equal to or higher than Barrier C, at par; or
- (b) if the Final Price of at least one of the Shares in the Basket is lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}, \frac{\text{FinalPrice(A)}}{\text{BarrierC(A)}} \right]$$

Where:

"**Final Price (A)**" means the Final Price of the Share of the Basket with the lowest Depreciation Ratio;

"**Barrier C (A)**" means Barrier C of the Share of the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means
$$\frac{\text{Final Price}}{\text{Initial Price}}$$

3.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning set out in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share in the Basket, the Official Closing Price of the Share on Valuation Date_(N).

"**Floor Level**" has the meaning set out in the applicable Applicable Transaction Terms.

"**Initial Price**" means, for each Share comprised in the Basket, the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning set out in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of a Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. Share Index Basket Linked Notes

In relation to Share Index Basket Linked Notes only, the following provisions will apply.

4.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Payment Date_(i):

- (a) if the Official Closing Level of all the Share Indices in the Basket on Interest Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of at least one of the Shares Indices in the Basket on Valuation Date_(i), is lower than Barrier A, Coupon B (which could be zero).

4.2 Early Redemption Provision, if it is specified as applicable in the applicable Applicable Transaction Terms:

If the Official Closing Level of each and every Share Index comprised in the Underlying Basket on Valuation Date_(i), is equal to or higher than Barrier B, each Note will be early redeemed in full at par on the Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed the Notes will be redeemed as follows:

- (a) if the Final Price of all Share Indices in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of at least one of the Share Indices in the Basket is lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}, \frac{\text{FinalPrice(A)}}{\text{BarrierC(A)}} \right]$$

Where:

"**Final Price (A)**" means the Final Price of the Share Index in the Basket with the lowest Depreciation Ratio;

"**Barrier C (A)**" means Barrier C of the Share Index in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\frac{\text{Final Price}}{\text{Initial Price}}$

4.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for Interest Payment Date_(i), an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Index in the Basket, the Official Closing Level of the Share on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means, for each Share Index in the Basket, the Official Closing Level of the Index on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of Share Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Part 6

If Structure 6 is specified as applicable in the applicable Applicable Transaction Terms, the following terms shall apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i) is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}_{(i)} ; \frac{\text{ValuationPrice}_{(i)} - \text{InitialPrice}}{\text{InitialPrice}} \right]$$

- (b) if the Official Closing Price of the Share on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

1.2 Early Redemption Provision

If the Official Closing Price of the Share on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed in full at par on Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed at an amount per Calculation Amount equal to:

- (a) if the Final Price of the Share is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share is lower than Barrier C, each Note will be redeemed at the following amount per Calculation Amount:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price}}{\text{Initial Price}} \right]$$

1.4 Definitions

"Barrier A" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Barrier B" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Barrier C" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Coupon B" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"Coupon B Percentage" has the meaning given to it in the applicable Applicable Transaction Terms.

"Early Redemption Date_(i)" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"Final Price" means the Official Closing Price on Valuation Date_(N).

"Floor Level_(i)" has, for each Interest Payment Date_(i), the meaning given to it in the Applicable Transaction Terms.

"Initial Price" means the Official Closing Price on the Initial Price Date.

"Initial Price Date" has the meaning given to it in the applicable Applicable Transaction Terms.

"Interest Payment Date_(i)" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"N" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"Official Closing Price" means on any day, the official closing price of the Share.

"Valuation Date_(i)" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"Valuation Price_(i)" means the Official Closing Price on Valuation Date_(i).

2. Single Share Index Linked Notes

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A the following Coupon A:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}_{(i)} ; \frac{\text{ValuationPrice}_{(i)} - \text{InitialPrice}}{\text{InitialPrice}} \right]$$

- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

2.2 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier B, the Notes will be redeemed in full at par on Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of the Share Index is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; and
- (b) if the Final Price of the Share Index is lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$$

2.4 Definitions

"Barrier A" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Barrier B" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Barrier C" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"Coupon B" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"Coupon B Percentage" has the meaning set out in the applicable Applicable Transaction Terms.

"Early Redemption Date_(i)" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"Final Price" means the Official Closing Level on Valuation Date_(N).

"Floor Level_(i)" has, for each Interest Payment Date_(i), the meaning given to it in the Applicable Transaction Terms.

"Initial Price" means the Official Closing Level on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date**_(i) means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of the Index.

"**Valuation Date**_(i)" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**Valuation Price**_(i)" means the Official Closing Level on Valuation Date_(i).

3. Share Basket Linked Notes

In relation to Share Basket Linked Notes only, the following terms will apply.

3.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of each and every Share in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}_{(i)} ; \frac{\text{ValuationPrice}_{(i)} \text{ A} - \text{InitialPriceA}}{\text{InitialPriceA}} \right]$$

Where:

"**Valuation Price**_(i) A" means the Official Closing Price on Valuation Date i of the Share comprised in the Basket with the lowest Depreciation Ratio; and

"**Initial Price A**" means the Initial Price of the Share comprised in the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means $\frac{\text{Final Price}}{\text{Initial Price}}$

- (b) if the Official Closing Price of at least one of the Shares in the Basket on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

3.2 Early Redemption Provision

If the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of each and every Share in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of at least one of the Shares in the Basket is lower than Barrier C, an amount equal per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{FinalPrice(A)}}{\text{InitialPrice(A)}} \right]$$

Where:

"**Final Price A**" means the Official Closing Price on Valuation Date_(N) of the Share comprised in the Basket with the lowest Depreciation Ratio;

"**Initial Price A**" means the Official Closing Price on the Initial Price Date of the Share comprised in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\left[\frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$

3.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share in the Basket, the Official Closing Price on Valuation Date_(N).

"**Floor Level_(i)**" has, for each Interest Payment Date_(i) the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means, for each Share in the Basket, the Official Closing Price on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of the Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. Share Index Basket Linked Notes

In relation to Share Index Basket Linked Notes only, the following terms will apply.

4.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel}_{(i)} ; \frac{\text{ValuationPrice}_{(i)} \text{ A} - \text{InitialPriceA}}{\text{InitialPriceA}} \right]$$

Where:

"**Valuation Price_(i) A**" means the Official Closing Level on Valuation Date i of the Share Index in the Basket with the lowest Depreciation Ratio.

"**Initial Price A**" means the Initial Price of the Share Index in the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means $\left[\frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$

- (b) if the Official Closing Level of at least one of the Share Indices comprised in the Basket on Valuation Date_(i) is lower than Barrier A, the Noteholder will receive Coupon B (which could be zero).

4.2 Early Redemption Provision

If the Official Closing Level of each and every Share Index in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be early redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of each and every Share Index comprised in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of at least one of the Share Indices in the Basket is lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{FinalPrice(A)}}{\text{InitialPrice(A)}} \right]$$

Where:

"**Final Price A**" means the Official Closing Level on Valuation Date_(N) of the Share Index in the Basket with the lowest Depreciation Ratio;

"**Initial Price A**" means the Official Closing Level on the Initial Price Date of the Share Index in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\left[\frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$

4.4 Definitions

"**Barrier A**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share Index in the Basket, the Official Closing Level on Valuation Date_(N).

"**Floor Level_(i)**" has, for each Interest Payment Date, the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means, for each Share Index in the Basket, the Official Closing Level on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of the Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Part 7

If Structure 7 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of the Share on Valuation Date_(i), is lower than Barrier A, Coupon B (which could be zero).

1.2 Early Redemption Provision

If the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier B, each Note will be redeemed at par on the Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share is lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel} ; \frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$$

1.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of the Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

2. Single Share Index Linked Notes

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

2.2 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed at par on Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share Index is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share Index is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel} ; \frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$$

2.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for each Interest Payment Date_(i), an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of the Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

3. Share Basket Linked Notes

In relation to Share Basket Linked Notes only, the following terms shall apply.

3.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of any of the Shares comprised in the Basket on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

3.2 Early Redemption Provision

If the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier B, the Notes will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of each and every Share in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of any of the Shares in the Basket is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel} ; \frac{\text{FinalPrice(A)}}{\text{InitialPrice(A)}} \right]$$

Where:

"**Final Price (A)**" means the Final Price of the Share in the Basket with the lowest Depreciation Ratio;

"**Initial Price (A)**" means the Initial Price of the Share in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means
$$\frac{\text{Final Price}}{\text{Initial Price}}$$

3.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means for each Interest Payment Date, an amount equal to the product of (i) Calculation Amount, (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share comprised in the Basket, the Official Closing Price on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the Applicable Transaction Terms.

"**Initial Price**" means, for each Share in the Basket, the Official Closing Price on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means on any day, the official closing price of a Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. Share Index Basket Linked Notes

In relation to Share Index Basket Linked Notes only, the following terms shall apply.

4.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of all the Share Indices in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or

- (b) if the Official Closing Level of any of the Share Indices in the Basket on Valuation Date_(i), is lower than Barrier A, Coupon B (which could be zero).

4.2 Early Redemption Provision

If the Official Closing Level of each and every Share Index in the Basket on Valuation Date_(i), is equal to or higher than Barrier B, each Note will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of each and every Share Index comprised in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of any of the Indices comprised in the Basket is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \text{Max} \left[\text{FloorLevel} ; \frac{\text{FinalPrice(A)}}{\text{InitialPrice(A)}} \right]$$

Where;

"**Final Price (A)**" means the Final Price of the Share Index in the Basket with the lowest Depreciation Ratio;

"**Initial Price (A)**" means the Initial Price of the Share Index in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\frac{\text{Final Price}}{\text{Initial Price}}$

4.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for each Interest Payment Date_(i), an amount equal to the product of (i) Calculation Amount, (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on Valuation Date_(N).

"**Floor Level**" has the meaning given to it in the Applicable Transaction Terms.

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date**_(i) means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing price of a Share Index.

"**Valuation Date**_(i)" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Part 8

If Structure 8 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of the Share on Valuation Date_(i), is lower than Barrier A and equal to or higher than Barrier B, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

1.2 Early Redemption Provision

If the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier A, each Note will be redeemed at par on the Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Final Redemption Amount

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, and amount equal to the Calculation Amount.

1.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A**_(i)" means, for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means, on any day, the official closing price of the Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

2. Single Share Index Linked Note

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, and equal to or higher than Barrier B, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

2.2 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, each Note will be redeemed at par on Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Final Redemption Amount

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, and amount equal to the Calculation Amount.

2.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means, for each Interest Payment Date_(i), an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

3. **Share Basket Linked Notes**

In relation to Share Basket Linked Notes only, the following terms will apply.

3.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, but at least one Share is lower than Barrier A, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

3.2 Early Redemption Provision

If the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, the Notes will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Final Redemption Amount

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, and amount equal to the Calculation Amount.

3.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"Barrier B" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"Basket" means each and every Share specified in the applicable Applicable Transaction Terms.

"Coupon A_(i)" means for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage_(i).

"Coupon A Percentage_(i)" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"Coupon B" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"Coupon B Percentage" has the meaning given to it in the Applicable Transaction Terms.

"Early Redemption Date_(i)" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"Initial Price" means, for each Share in the Basket, the Official Closing Price on the Initial Price Date.

"Initial Price Date" has the meaning given to it in the Applicable Transaction Terms.

"Interest Payment Date_(i)" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"N" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"Official Closing Price" means, on any day, the official closing price of a Share.

"Valuation Date_(i)" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. **Share Index Basket Linked Notes**

In relation to Share Index Basket Linked Notes only, the following terms shall apply.

4.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of all the Share Indices in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of each and every of the Share Indices comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier B, but at least one Share Index is lower than Barrier A, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

4.2 Early Redemption Provision

If the Official Closing Level of each and every Share Index in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, each Note will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Final Redemption Amount

On the Maturity Date, the Notes will be redeemed at par and the Noteholders will receive, per Calculation Amount, and amount equal to the Calculation Amount.

4.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means on any day, the official closing level of a Share Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Part 9

If Structure 9 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of the Share on Valuation Date_(i) is lower than Barrier A, and equal to or higher than Barrier B, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

1.2 Early Redemption Provision

If the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier A, each Note will be redeemed at par on the Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share is lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price}}{\text{Strike Price}} \right]$$

1.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Valuation Date_(N).

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means, on any day, the official closing price of a Share.

"**Strike Price**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

2. **Single Share Index Linked Notes**

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, and equal to or higher than Barrier B, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

2.2 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier A, each Note will be redeemed at par on Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share Index is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share Index is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price}}{\text{Strike Price}} \right]$$

2.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means for each Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on Valuation Date_(N).

"**Initial Price**" means the Official Closing Level of the Share Index on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Strike Price**" means a percentage of the Initial Price as specified in the Applicable Transaction Terms.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

3. **Share Basket Linked Notes**

In relation to Share Basket Linked Notes only, the following terms shall apply.

3.1 Interest Amount

If the Notes have not been previously redeemed the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, and at least one Share is lower than Barrier A, Coupon B (which could be zero);
- (c) otherwise, the Interest Amount will be zero.

3.2 Early Redemption Provision

If the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, the Notes will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of each and every Share in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of any of the Shares in the Basket is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price(A)}}{\text{Strike Price(A)}} \right]$$

Where:

"**Final Price (A)**" means the Final Price of the Share in the Basket with the lowest Depreciation Ratio;

"**Strike Price (A)**" means the Strike Price of the Share in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\frac{\text{Final Price}}{\text{Initial Price}}$

3.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share specified in the applicable Applicable Transaction Terms.

"**Coupon A_(i)**" means for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share comprised in the Basket, the Official Closing Price on Valuation Date_(N).

"**Initial Price**" means, for each Share in the Basket, the Official Closing Price on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means, on any day, the official closing price of a Share.

"**Strike Price**" means, for each Share comprised in the Basket, a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. Share Index Basket Linked Notes

In relation to Share Index Basket Linked Notes only, the following terms shall apply.

4.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of all the Share Indices in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, Coupon A_(i); or
- (b) if the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier B, and at least one Share is lower than Barrier A, Coupon B;
- (c) otherwise, the Interest Amount will be zero.

4.2 Early Redemption Provision

If the Official Closing Level of each and every Share Index in the Basket on Valuation Date_(i), is equal to or higher than Barrier A, each Note will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of each and every Share Index comprised in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of any of the Indices comprised in the Basket is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price}_{(a)}}{\text{Strike Price}_{(a)}} \right]$$

Where;

"**Final Price**_(a)" means the Final Price of the Share Index in the Basket with the lowest Depreciation Ratio;

"**Strike Price**_(a)" means the Strike Price of the Share Index in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\frac{\text{Final Price}}{\text{Initial Price}}$

4.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Coupon A**_(i)" means for each Interest Payment Date_(i) an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage_(i).

"**Coupon A Percentage_(i)**" means each Coupon A Percentage from 1 to N as specified in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on Valuation Date_(N).

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means, on any day, the official closing level of a Share Index.

"**Strike Price**" means, for each Share Index comprised in the Basket, a percentage of the Initial Price as specified in the applicable Applicable Transaction Terms.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Part 10

If Structure 10 is specified as applicable in the applicable Applicable Transaction Terms, the following terms will apply.

1. Single Share Linked Notes

In relation to Single Share Linked Notes only, the following terms will apply.

1.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on Interest Payment Date_(i):

- (a) if the Official Closing Price of the Share on Valuation Date_(i) is equal to or higher than Barrier A, the following Coupon A:

Calculation Amount \times C_n

Where:

n= 1 to N

C₁=C

C_n when n=2 to N:

$$C_n = (C \times n) - \sum_{i=1}^{n-1} C_i$$

C= has the meaning given to it in the applicable Applicable Transaction Terms

- (b) if the Official Closing Price of the Share on Valuation Date_(i), is lower than Barrier A, Coupon B (which could be zero).

1.2 Early Redemption Provision

If the Official Closing Price of the Share on Valuation Date_(i), is equal to or higher than Barrier B, each Note will be redeemed at par on the Early Redemption Date_(i), and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share is higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share is equal to or lower than Barrier C, at an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price}}{\text{Initial Price}} \right]$$

1.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Price of the Share on Valuation Date_(N).

"**Initial Price**" means the Official Closing Price of the Share on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means, on any day, the official closing price of a Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

2. Single Share Index Linked Notes

In relation to Single Share Index Linked Notes only, the following terms will apply.

2.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) if the Official Closing Level of the Share Index on Valuation Dates_(i) is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times C_n$$

Where:

$$n = 1 \text{ to } N$$

$$C_1 = C$$

C_n when $n = 2$ to N :

$$C_n = (C \times n) - \sum_{i=1}^{n-1} C_i$$

C has the meaning given in the relevant Applicable Transaction Terms

- (b) if the Official Closing Level of the Share Index on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

2.2 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date_(i) is equal to or higher than Barrier B, each Note will be redeemed at par on Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, each Note will be redeemed in full as follows:

- (a) if the Final Price of the Share Index is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of the Share Index is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price}}{\text{Initial Price}} \right]$$

2.4 Definitions

"Barrier A" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"Barrier B" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"Barrier C" means a percentage of Initial Price as specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means the Official Closing Level of the Share Index on Valuation Date_(N).

"**Initial Price**" means the Official Closing Level of the Share Index on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

3. **Share Basket Linked Notes**

In relation to Share Basket Linked Notes only, the following terms will apply.

3.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) If the Official Closing Price of each and every Share in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times C_n$$

Where:

$$n = (1 \text{ to } N)$$

$$C_1 = C$$

C_n when $n = 2$ to N :

$$C_n = (C \times n) - \sum_{i=1}^{n-1} C_i$$

C has the meaning given to it in the applicable Applicable Transaction Terms

- (b) if the Official Closing Price of any of the Shares comprised in the Basket on Valuation Date_(i) is lower than Barrier A, Coupon B (which could be zero).

3.2 Early Redemption Provision

If the Official Closing Price of each and every Share comprised in the Basket on Valuation Date_(i), is equal to or higher than Barrier B, the Notes will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of each and every Share in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of any of the Shares in the Basket is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{Final Price (A)}}{\text{Initial Price (A)}} \right]$$

Where:

"**Final Price (A)**" means the Final Price of the Share in the Basket with the lowest Depreciation Ratio;

"**Initial Price (A)**" means the Initial Price of the Share in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means $\frac{\text{Final Price}}{\text{Initial Price}}$

3.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share specified in the applicable Applicable Transaction Terms.

"**Coupon A**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

"**Coupon A Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share comprised in the Basket, the Official Closing Price on Valuation Date_(N).

"**Initial Price**" means, for each Share in the Basket, the Official Closing Price on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Price**" means, on any day, the official closing price of a Share.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

4. **Share Index Basket Linked Notes**

In relation to Share Index Basket Linked Notes only, the following terms will apply.

4.1 Interest Amount

If the Notes have not been previously redeemed, the following Interest Amount per Calculation Amount will be payable on each Interest Payment Date_(i):

- (a) If the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date_(i) is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times C_n$$

Where:

$$n = 1 \text{ to } N$$

$$C_1 = C$$

C_n when $n = 2$ to N :

$$C_n = (C \times n) - \sum_{i=1}^{n-1} C_i$$

C has the meaning given to it in the applicable Applicable Transaction Terms

- (b) if the Official Closing Level of any of the Share Indices in the Basket on Valuation Date_(i), is lower than Barrier A, Coupon B (which could be zero).

4.2 Early Redemption Provision

If the Official Closing Level of each and every Share Index in the Basket on Valuation Date_(i), is equal to or higher than Barrier B, each Note will be redeemed at par on the relevant Early Redemption Date_(i) and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Final Redemption Amount

On the Maturity Date, if the Notes have not been previously redeemed, the Notes will be redeemed in full as follows:

- (a) if the Final Price of each and every Share Index comprised in the Basket is equal to or higher than Barrier C, at par and the Noteholders will receive, per Calculation Amount, an amount equal to the Calculation Amount; or
- (b) if the Final Price of any of the Indices comprised in the Basket is lower than Barrier C, an amount per Calculation Amount equal to:

$$\text{Calculation Amount} \times \left[\frac{\text{FinalPrice(A)}}{\text{InitialPrice(A)}} \right]$$

Where;

"**Final Price (A)**" means the Final Price of the Share Index in the Basket with the lowest Depreciation Ratio;

"**Initial Price (A)**" means the Initial Price of the Share Index in the Basket with the lowest Depreciation Ratio; and

"**Depreciation Ratio**" means
$$\frac{\text{Final Price}}{\text{Initial Price}}$$

4.4 Definitions

"**Barrier A**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier B**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Barrier C**" means a percentage of Initial Price as specified in the Applicable Transaction Terms.

"**Basket**" means each and every Share Index specified in the applicable Applicable Transaction Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given to it in the Applicable Transaction Terms.

"**Early Redemption Date_(i)**" means each Early Redemption Date from 1 to N-1, as specified in the applicable Applicable Transaction Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on Valuation Date_(N).

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Initial Price Date.

"**Initial Price Date**" has the meaning given to it in the Applicable Transaction Terms.

"**Interest Payment Date_(i)**" means each Interest Payment Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**N**" means the total number of Interest Payment Dates or Valuation Dates, as applicable.

"**Official Closing Level**" means, on any day, the official closing level of a Share Index.

"**Valuation Date_(i)**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

Section 2

Disruption, Adjustments and Extraordinary Events

PART 1 SINGLE SHARE LINKED NOTES

This Part 1 (*Single Share Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being Single Share Linked Notes

1. DEFINITIONS

"Exchange": means each exchange or quotation system specified in the applicable Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day Convention" means any of the following, as specified in the applicable Applicable Transaction Terms:

- Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day.
- Modified Following Business Day Convention: if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date will be the first preceding day that is an Exchange Business Day.

"Related Exchange" means each exchange or quotation system specified as such for the Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share has temporally relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share on such temporary substitute exchange or quotation system as on the original Related Exchange).

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which each Exchange and Related Exchange are scheduled to be open for trading for their respective regular trading session.

"Share Issuer" means, in respect of a Share, the issuer of the Share as specified in the Applicable Transaction Terms.

"Valuation Time" means the time on the relevant Valuation Date, as the case may be, specified as such in the Applicable Transaction Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, as the case may be, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

"Valuation Date" the Initial Price Date, the Final Price Date and any other valuation date on the relevant Applicable Transaction Terms.

2. MARKET DISRUPTION EVENTS

- 2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for the Share shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for the Share as of the Valuation Time on that eighth Scheduled Trading Day.
- 2.2 **Market Disruption Events:** means, in respect of a Share the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in each case ((i) and (ii)) the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.
- 2.3 **Trading Disruption:** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.4 **Exchange Disruption:** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.5 **Early Closure:** means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.
- 2.6 **Disrupted Day:** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.
- 2.7 **Scheduled Valuation Date:** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. ADJUSTMENTS

Potential Adjustment Events:

- 3.1 Following the declaration by the Share Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will (i) make the corresponding adjustment(s), if any, to the Strike Price, Initial Price, Final Price and Barrier(s), as the case may be, and any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date(s) of the adjustment(s). The Calculation Agent may (but need

not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.

3.2 For the purposes hereof:

"Potential Adjustment Event" means any of the following:

- (i) a subdivision, consolidation or reclassification of a relevant Share (unless resulting in a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares, or (C) share capital or other securities of another share issuer acquired or owned (directly or indirectly) by the Share Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Share Issuer in respect of relevant Shares that are not fully paid;
- (v) a repurchase by the Share Issuer or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Share Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

4. **EXTRAORDINARY EVENTS**

4.1 **Definitions:**

"Additional Disruption Event" means a Change in Law, Insolvency Filing or Hedging Disruption.

"Announcement Date" means, (i) in the case of a Merger Event, the date of the first public announcement of a firm intention to engage in a transaction (whether or not subsequently amended) that leads to the Merger Event, (ii) in the case of a Tender Offer, the date of the first public announcement of a firm intention to purchase or otherwise obtain the requisite number of voting shares (whether or not subsequently amended) that leads to the Tender Offer, (iii) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (iv) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (v) in the case of a Delisting, the date of the first public announcement by the Exchange that the Shares will cease to be listed, traded or publicly quoted in the manner described in the "Delisting" definition below. In respect of any Extraordinary Event, if the announcement of such Extraordinary Event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of such regular

trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Combined Consideration" means New Shares in combination with Other Consideration.

"Delisting" means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"Early Redemption Amount" is the result of dividing (i) the aggregate fair market value of the outstanding Notes on such day as is selected by the Calculation Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Notes), by (ii) the number of outstanding Notes.

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting or any applicable Additional Disruption Event, as the case may be.

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer, (A) all the Shares of that Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Issuer become legally prohibited from transferring them.

"Insolvency Filing" means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares

outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event (a "**Reverse Merger**"), in each case if the Merger Date is on or before the Final Price Date or the Maturity Date, as the case may be.

"**Nationalisation**" means that all the Shares or all or substantially all the assets of a Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"**New Shares**" means ordinary or common shares, whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.

"**Other Consideration**" means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party).

"**Settlement Cycle**" means, in respect of a Share, the period of Clearance System Business Days following a trade in such Shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange.

"**Settlement Disruption Event**" means, in respect of a Share, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Share.

"**Share-for-Share**" means (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger.

"**Share-for-Combined**" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists of Combined Consideration.

"**Share-for-Other**" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists solely of Other Consideration.

"**Tender Offer**" means a takeover offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Share Issuer, as determined by the Calculation Agent, based upon the making with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"**Tender Offer Date**" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

4.2 **Consequences:**

Consequences of Merger Events: in respect of any Merger Event, on or after the relevant Merger Date, the Calculation Agent shall either (i) (A) make such adjustment to the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Merger Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Tender Offer: in respect of any Tender Offer, on or after the relevant Tender Offer Date, the Share Issuer and the Shares will not change, but the Calculation Agent shall either (i) (A) make such adjustment to the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Tender Offer by an options exchange to options on the relevant shares traded on such options exchange and (b) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Nationalisation, Insolvency Filing and Delisting: upon the Issuer's becoming aware of the occurrence of a Nationalisation, Insolvency Filing or Delisting, the early redemption of the Notes will take place (as determined by the Calculation Agent) and then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Additional Disruption Event: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Correction of the Share Price: in the event that the Share price on the Exchange which is utilised for any calculation or determination made under these Notes is subsequently corrected and the correction is published by the Exchange within one Settlement Cycle after the original publication, the Issuer may notify the Noteholder of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust the terms of these Notes to account for such correction.

PART 2 SINGLE SHARE INDEX LINKED NOTES

This Part 2 (*Single Share Index Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being Single Share Index Linked Notes.

1. DEFINITIONS.

Exchange: means in respect of each component security of the Share Index (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

Exchange Business Day: means any Scheduled Trading Day on which: (i) the Share Index Sponsor publishes the level of the Share Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day Convention: means any of the following, as specified in the Applicable Transaction Terms:

- Following Business Day Convention if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day.
- Modified Following Business Day Convention if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date will be the first preceding day that is an Exchange Business Day.

Share Index Sponsor: means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

Related Exchange: means in respect of a Share Index, each exchange or quotation system specified as such in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index or such share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures options contracts relating to such Share Index or such Share or such temporary substitute exchange or quotation system as on the original Related Exchange).

Scheduled Closing Time: means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day: means any day on which: (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Valuation Date: the Initial Price Date, the Final Price Date and any other valuation date set out in the relevant Applicable Transaction Terms.

Valuation Time: means (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Share Index is calculated and published by the Share Index Sponsor.

2. MARKET DISRUPTION EVENTS.

2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for the Share Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of the Share Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

2.2 "**Market Disruption Events**": means either:

- (i)
 - (a) the occurrence or existence, in respect of any Component Security, of:
 - (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (3) an Early Closure in respect of such Component Security; and
 - (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20 per cent. or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Sponsor as part of the market "opening data".

- 2.3 **"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.4 **"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Share Index on the Related Exchange.
- 2.5 **"Early Closure"** means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.
- 2.6 **"Disrupted Day"** means any Scheduled Trading Day on which: (i) the Share Index Sponsor fails to publish the level of the Share Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the

occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Notes.

- 2.7 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

- 3.1 If the Share Index is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the **"Successor Share Index"**) will be deemed to be the Share Index.
- 3.2 If (i) on or prior to any Valuation Date, the Share Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalisation and other routine events) (an **"Share Index Modification"**) or permanently cancels the Share Index and no Successor Share Index exists (an **"Share Index Cancellation"**) or (ii) on any Valuation Date in respect of this Note, the Share Index Sponsor fails to calculate and announce a relevant Share Index (an **"Share Index Disruption"** and together with a Share Index Modification and a Share Index Cancellation, each an **"Share Index Adjustment Event"**), then the Calculation Agent shall determine if such Share Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Valuation Price(s), Final Price(s) and Barrier(s) and any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Share Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event.

3.3 **Correction of Share Index**

In the event that any price or level published on the Exchange or by the Share Index Sponsor and which is utilised for any calculation or determination made under the Notes is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Noteholder of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction.

"Settlement Cycle" means, in respect of the Share Index, the number of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Settlement Disruption Event" means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

4. **ADDITIONAL DISRUPTION EVENTS**

4.1 **Definitions:**

"Additional Disruption Event" means a Change in Law, Insolvency Filing or Hedging Disruption.

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Early Redemption Amount" is the result of dividing (i) the aggregate fair market value of the outstanding Notes on such day as is selected by the Calculation Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Notes), by (ii) the number of outstanding Notes.

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realize, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency Filing" means that the issuer of a Component Security institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Component Security shall not be deemed an Insolvency Filing.

- 4.2 **Consequences:** upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent per each of the outstanding Notes.

PART 3 SHARE BASKET LINKED NOTES

This Part 3 (*Share Basket Linked Notes*) is applicable only in relation to Notes specified in the Applicable Transaction Terms as being Share Basket Linked Notes.

1. DEFINITIONS

"Exchange" means, in respect of each Share, each exchange or quotation system specified as such for the Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Exchange Business Day Convention" means any of the following, as specified in the Applicable Transaction Terms:

- Following Business Day Convention if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Shares

comprised in the Basket, the Valuation Date will be deemed to be, only for that Share, the first succeeding Exchange Business Day.

- Modified Following Business Day Convention if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Shares comprised in the Basket, the Valuation Date will be deemed to be, only for that Share, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share will be the first preceding day that is an Exchange Business Day.

"Related Exchange" means each exchange or quotation system specified as such for each Share in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to each Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to each Share on such temporary substitute exchange or quotation system as on the original Related Exchange).

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

"Scheduled Trading Day" means any day on which each Exchange and Related Exchange are scheduled to be open for trading for their respective regular trading session.

"Valuation Time" means the time on the relevant Valuation Date, as the case may be, specified as such in the Applicable Transaction Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date, as the case may be, in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

"Valuation Date" the Initial Price Date, the Final Price Date and any other valuation date on the relevant Applicable Transaction Terms.

2. MARKET DISRUPTION EVENTS

- 2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.
- 2.2 **"Market Disruption Events"** means, in respect of a Share the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in each case ((i) and (ii)) the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time or (iii) an Early Closure.
- 2.3 **"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.4 **"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) to effect transactions

in, or obtain market values for, futures or options contracts relating to the Share on any relevant Related Exchange.

- 2.5 **"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.
- 2.6 **"Disrupted Day"** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.
- 2.7 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

Potential Adjustment Events:

- 3.1 Following the declaration by the Share Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so, will (i) make the corresponding adjustment(s), if any, to the Strike Price, Initial Price (s), Valuation Price(s), Final Price(s) and Barrier(s), as the case may be, and, in any case, any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date(s) of the adjustment(s). The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on such options exchange.
- 3.2 For the purposes hereof:

"Potential Adjustment Event" means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares, or (C) share capital or other securities of another share issuer acquired or owned (directly or indirectly) by the Share Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Share Issuer in respect of relevant Shares that are not fully paid;

- (v) a repurchase by the Share Issuer or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Share Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

4. EXTRAORDINARY EVENTS

4.1 Definitions:

"**Additional Disruption Event**" means Change in Law, Insolvency Filing or Hedging Disruption.

"**Announcement Date**" means, (i) in the case of a Merger Event, the date of the first public announcement of a firm intention to engage in a transaction (whether or not subsequently amended) that leads to the Merger Event, (ii) in the case of a Tender Offer, the date of the first public announcement of a firm intention to purchase or otherwise obtain the requisite number of voting shares (whether or not subsequently amended) that leads to the Tender Offer, (iii) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (iv) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (v) in the case of a Delisting, the date of the first public announcement by the Exchange that the Shares will cease to be listed, traded or publicly quoted in the manner described in the "Delisting" definition below. In respect of any Extraordinary Event, if the announcement of such Extraordinary Event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of such regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

"**Change in Law**" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"**Clearance System Business Day**" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"**Combined Consideration**" means New Shares in combination with Other Consideration.

"**Delisting**" means that the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"**Early Redemption Amount**" means the result of dividing (i) the aggregate fair market value of the outstanding Notes on such day as is selected by the Calculation Agent in its sole and absolute

discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Notes), by (ii) the number of outstanding Notes.

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting or any applicable Additional Disruption Event, as the case may be.

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer, (A) all the Shares of that Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Issuer become legally prohibited from transferring them.

"Insolvency Filing" means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before the Final Price Date or the Maturity Date, as the case may be.

"Nationalisation" means that all the Shares or all or substantially all the assets of a Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"New Shares" means ordinary or common shares, whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be, (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the

European Union) and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations.

"Other Consideration" means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Share Issuer) involved in the Merger Event or the making of the Tender Offer or a third party).

"Settlement Cycle" means, in respect of a Share, the period of Clearance System Business Days following a trade in such Shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange.

"Settlement Disruption Event" means, in respect of a Share, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Share.

"Share-for-Share" means (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger.

"Share-for-Combined" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists of Combined Consideration.

"Share-for-Other" means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists solely of Other Consideration.

"Tender Offer" means a takeover offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Share Issuer, as determined by the Calculation Agent, based upon the making with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

"Tender Offer Date" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

4.2 **Consequences:**

Consequences of Merger Events: in respect of any Merger Event, on or after the relevant Merger Date, the Calculation Agent shall either (i) (A) make such adjustment to the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Merger Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Tender Offer: in respect of any Tender Offer, on or after the relevant Tender Offer Date, the Share Issuer and the Shares will not change, but the Calculation Agent shall either (i) (A) make such adjustment to the coupon amount or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Notes), which may but, but need not, be determined by reference to the adjustment(s) made in respect of such Tender Offer by an options exchange to options on the relevant shares traded on such options exchange and (b) determine the effective date of that adjustment, or (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, the Calculation Agent will

notify the Issuer that the relevant consequence shall be the early redemption of the Notes. If the early redemption of the Notes occurs, then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Nationalisation, Insolvency Filing and Delisting: upon becoming aware of the occurrence of a Nationalisation, Insolvency Filing or Delisting, the early redemption of the Notes will take place (as determined by the Calculation Agent) and then the Issuer will pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Consequences of Additional Disruption Event: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

Correction of the Share Price: in the event that the Share price on the Exchange which is utilised for any calculation or determination made under these Notes is subsequently corrected and the correction is published by the Exchange within one Settlement Cycle after the original publication, the Issuer may notify of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust the terms of these Notes to account for such correction.

PART 4 SHARE INDEX BASKET LINKED NOTES

This Part 4 (*Share Index Basket Linked Notes*) is applicable only in the Applicable Transaction Terms as being Share Index Basket Linked Notes.

1. DEFINITIONS

Exchange: means in respect of each component security of each of the Indices (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

Exchange Business Day: means in respect of each Share Index any Scheduled Trading Day on which: (i) the Share Index Sponsor publishes the level of the Share Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day Convention: means any of the following, as specified in the Applicable Transaction Terms:

- **Following Business Day Convention:** if the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Indices, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day.
- **Modified Following Business Day Convention:** (in case the date specified as Valuation Date in the Applicable Transaction Terms is not an Exchange Business Day for any of the Share Indices comprised in the Basket, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share Index will be the first preceding day that is an Exchange Business Day).

Index Sponsor: means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

Related Exchange: means in respect of each Share Index, each exchange or quotation system specified as such in the Applicable Transaction Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index or such share has temporarily relocated (provided that the

Calculation Agent has determined that there is comparable liquidity relative to the futures options contracts relating to such Share Index or such Share or such temporary substitute exchange or quotation system as on the original Related Exchange).

Scheduled Trading Day: means in respect of each Share Index any day on which: (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Valuation Date: the Initial Price Date, the Final Price Date and any other valuation date on the relevant Applicable Transaction Terms.

Valuation Time: means (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Share Index is calculated and published by the Share Index Sponsor.

Scheduled Closing Time: means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

2. MARKET DISRUPTION EVENTS

2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for each Share Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of the Share Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

2.2 Market Disruption Events: means either:

(i)

(a) the occurrence or existence, in respect of any Component Security, of:

- (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
- (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
- (3) an Early Closure in respect of such Component Security; and

(b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20 per cent. or more of the level of the Share Index; or

- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Sponsor as part of the market "opening data".

- 2.3 "**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange, or (ii) in futures or options contracts relating to the Share on any relevant Related Exchange.
- 2.4 "**Exchange Disruption**" means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security; or (ii) futures or options contracts relating to the Share Index on the Related Exchange.
- 2.5 "**Early Closure**" means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.
- 2.6 "**Disrupted Day**" means any Scheduled Trading Day on which: (i) the Share Index Sponsor fails to publish the level of the Share Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to notify the Issuer as set forth in the preceding sentence, failure by the Calculation Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Notes.
- 2.7 "**Scheduled Valuation Date**" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **ADJUSTMENTS**

- 3.1 If any of the Share Indices is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor sponsor acceptable to the Calculation Agent, or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the "**Successor Share Index**") will be deemed to be the Share Index.
- 3.2 If (i) on or prior to any Valuation Date, the Share Index Sponsor of any of the Share Indices announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalization and other routine events) (a "**Share Index Modification**") or

permanently cancels the Share Index and no Successor Share Index exists (an " **Share Index Cancellation**") or (ii) on any Valuation Date respect of this Note, the Share Index Sponsor of any of the Indices fails to calculate and announce a relevant Share Index (an "**Share Index Disruption**" and together with a Share Index Modifications and a Share Index Cancellation, each an "**Share Index Adjustment Event**"), then the Calculation Agent shall determine if such Share Index Adjustment Event has a material effect on the Notes and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Valuation Price(s), Final Price, Barrier, and any other variable relevant to the redemption and the payment of the coupon amount or other terms of the Notes as the Calculation Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Share Index last effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event;

3.3 **Correction of Share Index**

In the event that any price or level published on the Exchange or by the Share Index Sponsor of any of the Indices and which is utilized for any calculation or determination made under the Notes is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Noteholder of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction.

"**Settlement Cycle**" means, in respect of any the Indices, the period of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

"**Clearance System Business Day**" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"**Settlement Disruption Event**" means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

4. **ADDITIONAL DISRUPTION EVENTS**

4.1 **Definitions:**

"**Additional Disruption Event**" means any of the following events:

Change in Law: means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

Early Redemption Amount: is the result of dividing (i) the aggregate fair market value of the outstanding Notes on such day as is selected by the Calculation Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Notes), by (ii) the number of outstanding Notes.

Hedging Disruption: means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

Hedging Party(ies): means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

Insolvency Filing: means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

Consequences: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Notes and therefore pay to the Noteholders the Early Redemption Amount calculated by the Calculation Agent for each of the outstanding Notes.

ANNEX 2
PROVISIONS RELATING TO INFLATION LINKED NOTES

This Annex 2 (*Inflation Linked Notes*) is applicable only in relation to Notes specified in the relevant Applicable Transaction Terms as being Inflation Linked Notes. The definitions set out in Annex 1 (*Equity Linked Notes*) will also apply in relation to a Series of Inflation Linked Notes unless the context otherwise requires, or such term is defined otherwise herein, and for the purposes of such definitions, the definition of Share Index shall be deemed to be a reference to Inflation Index.

Section 1

Payment Provisions

1. **Formulae for Rate of Interest and Final Redemption Amounts and other optional provisions relating to Inflation Linked Notes potentially to be included in Applicable Transaction Terms**

Interest Rate

Unless previously redeemed or repurchased in accordance with the Terms and Conditions and the applicable Applicable Transaction Terms, the Interest Rate for any Interest Period shall be an amount determined by the Calculation Agent in accordance with the applicable formula, as follows, either:

- (1) If an Inflation Linked interest payment based on a fixed rate of interest is specified in the applicable Applicable Transaction Terms:

$$\bullet\bullet \text{Fixed Rate of Interest } x (I_T/I_0)]$$

OR

- (2) If an Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate is specified in the applicable Applicable Transaction Terms:

$$\text{Max [Floor; Fixed Rate of Interest } x (I_T/I_0)]$$

OR

- (3) If an Inflation Linked interest payment plus a Margin is specified in the applicable Applicable Transaction Terms:

$$[(I_T/I_0) + \text{Margin}]$$

OR

- (4) If an Inflation Linked interest payment plus a Margin subject to a minimum interest rate is specified in the applicable Applicable Transaction Terms:

$$\text{Max[Floor; } (I_T/I_0) + \text{Margin}]$$

OR

- (5) If an Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate is specified in the applicable Applicable Interest Terms:

$$\text{Min[Cap; Fixed Rate of Interest } x (I_T/I_0)]$$

OR

- (6) If an Inflation Linked interest payment plus a Margin subject to a maximum interest rate is specified in the applicable Applicable Transaction Terms:

$$\text{Min[Cap; } (I_T/I_0) + \text{Margin}]$$

where:

"**Cap**" has the meaning given to it in the applicable Applicable Transaction Terms;

"**Fixed Rate of Interest**" has the meaning given to it in the applicable Applicable Transaction Terms;

"**I₀**" means Inflation Index observation level for Reference Month T_{start} ;

"**I_T**" means Inflation Index observation level for Reference Month T;

"**Floor**" has the meaning given to it in the applicable Applicable Transaction Terms;

"**Margin**" has the meaning given to it in the applicable Applicable Transaction Terms;

"**T**" has the meaning given to it in the applicable Applicable Transaction Terms; and

"**T_{start}**" has the meaning given to it in the applicable Applicable Transaction Terms.

Final Redemption Amount

Unless previously redeemed or repurchased in accordance with the Terms and Conditions and the applicable Applicable Transaction Terms, the Final Redemption Amount payable by the Issuer in respect of the Note on its Maturity Date shall be an amount determined by the Calculation Agent in accordance with the applicable formula, as follows, either:

- (1) If Inflation Linked Final Redemption Amount is specified in the applicable Applicable Transaction Terms:

$$[\text{Specified Denomination} \times (I_T/I_0)]$$

OR

- (2) If Inflation Linked Final Redemption Amount subject to a minimum of par is specified in the applicable Applicable Transaction Terms:

$$[\text{Specified Denomination} \times \text{Max}[1; (I_T/I_0)]]$$

OR

- (3) If Inflation Linked Final Redemption Amount subject to a minimum of zero and a maximum of par is specified in the applicable Applicable Transaction Terms:

$$[\text{Specified Denomination} \times \text{Max}[0; (I_T/I_0)]]$$

where:

"**I_F**" means Inflation Index observation level for Reference Month T_{final} ;

"**I₀**" means Inflation Index observation level for Reference Month T_{start} ;

"**T_{final}**" has the meaning given to in the applicable Applicable Transaction Terms; and

"**T_{start}**" has the meaning given to in the applicable Applicable Transaction Terms.

Section 2

Inflation Index Description

1. Delay of Publication

If any level of an Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Notes (a "**Relevant Level**") has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date or other relevant payment date under

the Notes or other relevant payment date as may be specified in the applicable Applicable Transaction Terms in relation to the Notes, the Calculation Agent shall determine a Substitute Inflation Index Level (in place of such Relevant Level) as follows:

- 1.1 if Related Bond is specified as applicable in the relevant Applicable Transaction Terms, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or
- 1.2 if (i) Related Bond is specified as not applicable in the relevant Applicable Transaction Terms, or (ii) the Calculation Agent is not able to determine a Substitute Inflation Index Level under (a) above, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$[Substitute\ Inflation\ Index\ Level = Base\ Level \times (Latest\ Level/Reference\ Level)]$; or

- 1.3 otherwise in accordance with any formula specified in the relevant Applicable Transaction Terms, where:

"Base Level" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

"Latest Level" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

"Reference Level" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Applicable Transaction Terms in relation to the Notes, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Paragraph 1 (*Delay of Publication*), will be the definitive level for that Reference Month.

2. **Cessation of Publication**

If a level for the Inflation Index has not been published or announced for two consecutive months or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index then the Calculation Agent shall determine a Successor Inflation Index (in lieu of any previously applicable Inflation Index) for the purposes of the Notes by using the following methodology:

- (a) If at any time a Successor Inflation Index has been designated by the Calculation Agent pursuant to the terms and conditions of the Related Bond, such Successor Inflation Index shall be designated a "Successor Inflation Index" for the purposes of all subsequent specified Interest Payment Dates or other relevant payment date as may be specified in the applicable Applicable Transaction Terms in relation to the Notes, notwithstanding that any other Successor Inflation Index may previously have been determined under Paragraph 2(b), 2(c) or 2(d) below; or
- (b) If a Successor Inflation Index has not been determined under Paragraph 2(a) above and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or a substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such

replacement index shall be the Inflation Index for purposes of the Notes from the date that such replacement index comes into effect; or

- (c) If a Successor Inflation Index has not been determined under Paragraph 2(a), 2(b) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement Inflation Index for the Inflation Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If three responses are received, and two or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If fewer than three responses are received, the Calculation Agent will proceed to Paragraph 2(d) below; or
- (d) If no Successor Inflation Index has been deemed under Paragraph 2(a), 2(b) or 2(c) above by the fifth Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed a "Successor Inflation Index"; the Calculation Agent shall determine the method of determining the Relevant Level if no such alternative Inflation Index is available.

3. **Rebasing of the Inflation Index**

If the Calculation Agent determines that an Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Inflation Index**") will be used for purposes of determining the level of such Inflation Index from the date of such rebasing; **provided, however, that** the Calculation Agent shall make such adjustments as are made by the Calculation Agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

4. **Material Modification Prior to Payment Date**

If, on or prior to the day that is five Business Days before an Interest Payment Date or other relevant payment date in relation to the Notes, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index then the Calculation Agent shall make any such adjustments to the Inflation Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

5. **Manifest Error in Publication**

If, within thirty days of publication and prior to the redemption of the Notes or payments in respect of any relevant Interest Payment Date or other relevant payment date in relation to the Notes, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent will notify the holders of the Notes in accordance with Condition 15 of (i) that correction, (ii) the adjusted amount that is then payable under the Notes as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction, **provided that** any amount payable pursuant to sub-paragraph (ii) above shall be paid (with no interest accruing thereon) (a) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date or other relevant payment date in relation to the Notes has occurred, within five Business Days after notice of such amount payable by the Calculation Agent, (b) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date or other relevant payment date in relation to the Notes has not occurred, as an adjustment to the payment obligation on the next Specified Interest Payment Date or (c) if there is no further Interest Payment Date or other relevant payment date in relation to the Notes, within five Business Days after notice of such amount payable by the Calculation Agent.

6. **Inflation Index Level Adjustment Correction**

In relation to any inflation index, unless otherwise specified in the definition of the relevant Inflation Index set out in Section 4 (*Inflation Indices*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*), as specified in the Applicable Transaction Terms, either (i) the first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 6, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations; or (ii) the first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Inflation Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date, Maturity Date or any other payment in respect of the Notes.

7. **Additional Disruption Events:**

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Calculation Agent may make such adjustment as the Calculation Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Calculation Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment in respect of each Note of an amount equal to the fair market value of such Note, on such day as is selected by the Calculation Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Calculation Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Calculation Agent of the occurrence of an Additional Disruption Event.

Section 3

Definitions

1. **Definitions Applicable to Inflation Linked Notes**

In relation to Inflation Linked Notes, the following expressions have the meanings set out below:

"Affected Payment Date" means each specified Interest Payment Date or other relevant payment date as may be specified in the applicable Applicable Transaction Terms in relation to the Notes in respect of which an Inflation Index has not been published or announced;

"Additional Disruption Event" means, with respect to any Series of Notes, a Change in Law or Hedging Disruption

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with

respect to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"Fallback Bond" means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation linked bonds issued on or before the Issue Date and, if there is more than one inflation linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

"Hedge Positions" means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Notes;

"Hedging Disruption" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Notes, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

"Inflation Index" means any index specified as such in the applicable Applicable Transaction Terms which may be specified using the Inflation Indices described in Section 4 (*Inflation Indices*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*);

"Inflation Index Sponsor" means, in respect of an Inflation Index, the entity specified as such in the relevant Applicable Transaction Terms or, if no entity is specified, the entity that publishes or announces (directly or through an agent) the level of the relevant Inflation Index;

"Reference Month" means the calendar month for which the level of the relevant Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Inflation Index level was reported is a period other than a month, the Reference Month will be the period for which the Inflation Index level was reported;

"Related Bond" means the bond specified in the relevant Applicable Transaction Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is "Fallback Bond", then for any Related Bond determination under these Conditions, the Calculation Agent shall use the Fallback Bond (as that is defined in this Section 3 (*Definitions*) hereof). If no bond is specified in the relevant Applicable Transaction Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the relevant Applicable Transaction Terms there will be no Related Bond. If a bond is selected as the Related Bond in the relevant Applicable Transaction Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the relevant Applicable Transaction Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination;

"Substitute Inflation Index Level" means an Inflation Index level, determined by the Calculation Agent pursuant to the provisions of Paragraph 1 (*Delay of Publication*) of this Section 3 (*Definitions*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*), in respect of an Affected Payment Date; and

"Successor Inflation Index" has the meaning specified in Paragraph 2 (*Cessation of Publication*) of this Section 3 (*Definitions*) of this Annex 2 (*Provisions Relating to Inflation Linked Notes*).

Section 4

Inflation Indices

European Union

- (a) **"EUR – Excluding Tobacco-Non-revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"EUR – All Items-Non-revised Consumer Price Index"** means the "Non-revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"EUR – All Items–Revised Consumer Price Index"** means the "Revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date.

France

- (a) **"FRC – Excluding Tobacco-Non-Revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"FRC – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in France, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

Spain

- (a) **"ESP – National-Revised Consumer Price Index (CPI)"** means the "Year on Year Revised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in Spain, expressed as an annual percentage and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date.
- (b) **"ESP – National-Non-revised Consumer Price Index (CPI)"** means the "Non-revised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

- (c) **"ESP – Harmonised-Revised Consumer Price Index (HICP)"** means the "Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date.
- (d) **"ESP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

United Kingdom

- (a) **"GBP – Non-revised Retail Price Index (UKRPI)"** means the "Non-revised Retail Price Index All Items in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"GBP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in the United Kingdom, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"GBP – Non-revised Retail Price Index Excluding Mortgage Interest Payments (UKRPIX)"** means the "Non-revised Retail Price Index Excluding Mortgage Interest Payments in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

United States

"USA – Non-revised Consumer Price Index – Urban (CPI-U)" means the "Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment", or relevant Successor Inflation Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

Italy

- (a) **"ITL – Whole Community –Excluding Tobacco Consumer Price Index"** means the "Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) senza tabacchi" or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"ITL – Whole Community –Including Tobacco Consumer Price Index"** means the "Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) con tabacchi", or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a

Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

- (c) **“ITL – Inflation for Blue Collar Workers and Employees–Excluding Tobacco Consumer Price Index”** means the “Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) senza tabacchi”, or relevant Successor Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (d) **“ITL – Inflation for Blue Collar Workers and Employees–Including Tobacco Consumer Price Index”** means the “Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) con tabacchi”, or relevant Successor Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (e) **“ITL – Non-revised Harmonised Consumer Price Index (HICP)”** means the “Non-revised Harmonised Index of Consumer Prices”, or relevant Successor Index, measuring the rate of inflation in Italy, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

ANNEX 3
ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED NOTES

The terms and conditions applicable to Fund Linked Notes shall comprise the Terms and Conditions of the Notes (the "**Conditions**") and the additional Terms and Conditions set out below (the "**Fund Linked Note Conditions**"), in each case subject to completion and/or amendment in the Pricing Supplement or Drawdown Prospects (as the case may be). In the event of any inconsistency between the Conditions and the Fund Linked Note Conditions, the Fund Linked Note Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Fund Linked Note Conditions and (ii) the Pricing Supplement or the Drawdown Prospectus (as the case may be), the Pricing Supplement or the Drawdown Prospectus (as the case may be) shall prevail.

1. **Definitions**

"**Additional Extraordinary Fund Event**" means any event specified as such in the applicable Pricing Supplement;

"**AUM**" means, assets under management;

"**AUM Level**" has the meaning given to it in the applicable Pricing Supplement, or if not so specified, with respect to (i) a Mutual Fund, EUR 50,000,000, or (ii) a Hedge Fund, EUR 50,000,000, or the equivalent in any other currency;

"**Basket Trigger Event**" means that an Extraordinary Fund Event (as defined below) occurs in respect of one or more Funds comprising the Fund Basket which has or, in the event that an Extraordinary Fund Event has occurred in respect of more than one Fund, together have, a weighting (as may be specified in the Pricing Supplement) in the Fund Basket equal to or greater than the Basket Trigger Level;

"**Basket Trigger Level**" has the meaning given to it in the Pricing Supplement or if not so specified, 50 per cent.;

"**Calculation Date**" means each day specified in the applicable Pricing Supplement, or if not so specified, each day which is a Fund Business Day;

"**Extraordinary Fund Event Effective Date**" means, in respect of an Extraordinary Fund Event, the date on which such Extraordinary Fund Event occurs, or has occurred, as determined by the Calculation Agent in its sole and absolute discretion;

"**Fee**" has the meaning given to it in the Pricing Supplement;

"**Final Calculation Date**" means the date specified as such in the Pricing Supplement;

"**Floating Rate Payer**" has the meaning given in the ISDA Definitions;

"**Fund**" means each Mutual Fund, Hedge Fund or Private Equity Fund;

"**Fund Basket**" means, where the Fund Linked Notes are linked to the performance of Fund Shares of more than one Fund, a basket comprising such Fund Shares;

"**Fund Business Day**" means either (i) with respect to single Fund, Fund Business Day (Single Fund Share Basis), or (ii) in respect of a Fund Basket, either Fund Business Day (All Fund Shares Basis) or Fund Business Day (Per Fund Share Basis) as specified in the Pricing Supplement, provided that, if no such specification is made in the Pricing Supplement, Fund Business Day (Per Fund Share Basis) shall apply;

"**Fund Business Day (All Fund Shares Basis)**" means, with respect to a Fund Basket, a date (i) that is a Fund Valuation Date for all Fund Shares comprised in the Fund Basket, (ii) for which there has been a corresponding Fund Reporting Date in respect of each such Fund and (iii) on which the Hedge Provider has, or could have, a subscription or redemption order for each such Fund Share executed at the NAV per Fund Share as published on the relevant Fund Reporting Date or as calculated by the Calculation Agent, as the case may be;

"Fund Business Day (Per Fund Share Basis)" means, with respect to a Fund Share, a date (i) that is a Fund Valuation Date in respect of such Fund Share, (ii) for which there has been a corresponding Fund Reporting Date and (iii) on which the Hedge Provider has, or could have, a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share as published on the relevant Fund Reporting Date or as calculated by the Calculation Agent, as the case may be;

"Fund Business Day (Single Fund Share Basis)" means with respect to a Fund Share, a date (i) that is a Fund Valuation Date, (ii) for which there has been a corresponding Fund Reporting Date and (iii) on which the Hedge Provider has, or could have, a subscription or redemption order for the Fund Shares executed at the NAV per Fund Share published on the relevant Fund Reporting Date;

"Fund Documents" means, unless specified otherwise in the Pricing Supplement, with respect to any Fund Share, the offering document of the relevant Fund in effect on the Hedging Date specifying, among other matters, the terms and conditions relating to such Fund Share and, for the avoidance of doubt, any other documents or agreements in respect of the Fund, as further described in any Fund Document;

"Fund Reporting Date" means, subject to the occurrence of an Extraordinary Fund Event, in respect of any Fund Share and a Fund Valuation Date, the date on which, in accordance with the Fund Documents, the relevant NAV per Fund Share or Aggregate Fund Shares NAV, as the case may be, is reported or published in respect of such Fund Valuation Date;

"Fund Service Provider" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, in respect of such Fund, whether or not specified in the Fund Documents, including any advisor, manager, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent, sponsor or general partner and any other person specified as such in the Pricing Supplement;

"Fund Share(s)" means an ownership interest issued to or held by an investor in a Fund or any other interest specified as such in the Pricing Supplement;

"Fund Valuation Date" means any date as of which, in accordance with the Fund Documents, the Fund (or the Fund Service Provider that generally determines such value) is or but for the occurrence of an Extraordinary Fund Event would have been scheduled to determine the NAV per Fund Share or Aggregate Fund Shares NAV, as the case may be;

"Hedge Fund" means the hedge fund(s) specified as such in the Pricing Supplement;

"Hedge Provider" means the party (being, *inter alios*, the Issuer, the Guarantor, the Calculation Agent, an affiliate or any third party) from time to time who hedges the Issuer's obligations in respect of the Fund Linked Notes or where no such party actually hedges such obligations, a Hypothetical Investor, who shall be deemed to enter into transactions as if hedging such obligations. The Hedge Provider will hold or be deemed to hold such number of Fund Shares, or enter or be deemed to enter into any agreement to purchase or deliver, or pay an amount linked to the performance of, such number of Fund Shares as it (or in the case of a Hypothetical Investor, the Calculation Agent) considers would be held by a prudent issuer as a hedge for its exposure under the relevant Notes;

"Hedging Date" has the meaning given to it in the Pricing Supplement;

"Hypothetical Investor" means a hypothetical or actual investor (as determined by the Calculation Agent in the context of the relevant situation) in a Fund Share which is deemed to have the benefits and obligations, as provided in the relevant Fund Documents, of an investor holding a Fund Share at the relevant time. The Hypothetical Investor may be deemed by the Calculation Agent to be resident or organised in any jurisdiction, and to be, without limitation, the Issuer, the Guarantor, the Calculation Agent or any of their affiliates (as determined by the Calculation Agent in the context of the relevant situation);

"Implied Embedded Option Value" means an amount which may never be less than zero equal to the present value as at the Implied Embedded Option Value Determination Date of any future

payments under the Fund Linked Notes determined by the Calculation Agent in its sole and absolute discretion taking into account, without limitation, such factors as interest rates, the net proceeds achievable from the sale of any Fund Shares by the Hedge Provider, the volatility of the Fund Shares and transaction costs;

"Implied Embedded Option Value Determination Date" means the date determined by the Calculation Agent to be the first date on which it is possible to determine the Implied Embedded Option Value following the occurrence of an Extraordinary Fund Event for which the Issuer or, as the case may be, the Guarantor determines the relevant action is to be Termination (as defined below);

"Initial Calculation Date" means the date specified as such in the Pricing Supplement, or if not so specified, the Hedging Date;

"Merger Event" means, in respect of any relevant Shares and Entity (as defined below), any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share/unit/interest exchange of an Entity with or into another entity or person (other than a consolidation, amalgamation, merger or binding share/unit/interest exchange in which such Entity, is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of an Entity that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share/unit/interest exchange of an Entity or its subsidiaries with or into another entity in which the Entity is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Extraordinary Fund Event Effective Date, as determined by the Calculation Agent, is on or before the Final Calculation Date. For the purposes of this definition **"Merger Event"** only, **"Shares"** shall mean the applicable Fund Shares or the shares of any applicable Fund Service Provider, as the context may require, and **"Entity"** shall mean the applicable Fund or any applicable Fund Service Provider, as the context may require;

"Mutual Fund" means the mutual fund(s) specified as such in the Pricing Supplement;

"NAV per Fund Share" means, with respect to the relevant Fund Shares and the Fund Reporting Date relating to such Fund Shares, (i) the net asset value per Fund Share as of the relevant Fund Valuation Date, as reported on such Fund Reporting Date by the Fund Service Provider that generally publishes or reports such value on behalf of the Fund to its investors or a publishing service, or (ii) if the Fund Service Provider of the Fund publishes or reports only the aggregate net asset value of the Fund Shares (the **"Aggregate Fund Shares NAV"**), the net asset value per Fund Share calculated by the Calculation Agent on the basis of such aggregate net asset value of the Fund Shares divided by the number of Fund Shares issued and outstanding as of the relevant Fund Valuation Date;

"NAV Trigger Event" means, in respect of the Fund Shares, that (i) the NAV per Fund Share has decreased by an amount equal to, or greater than, the NAV Trigger Percentage(s) at any time during the related NAV Trigger Period, or (ii) the Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgement of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any other contractual restriction binding on or affecting the Fund or any of its assets;

"NAV Trigger Percentage" means the percentage specified in the Pricing Supplement or, if not so specified, with respect to (i) a Mutual Fund, 50 per cent., or (ii) a Hedge Fund, 50 per cent.;

"NAV Trigger Period" means the period specified in the Pricing Supplement, or if not so specified the period from and including the Initial Calculation Date to and including the Final Calculation Date;

"Non-Principal Protected Termination Amount" means an amount per Security determined by the sum of:

- (i) the Implied Embedded Option Value; and
- (ii) if delayed redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the applicable Pricing Supplement, the Simple Interest;

"Number of NAV Publication Days" means the number of calendar days specified in the applicable Pricing Supplement or if not so specified, with respect to (i) a Mutual Fund, 5 calendar days, or (ii) a Hedge Fund, 10 calendar days;

"Principal Protected Termination Amount" means an amount per Fund Linked Note determined as the sum of:

- (i) the Protected Amount;
- (ii) the Implied Embedded Option Value; and
- (iii) if delayed redemption on Occurrence of an Extraordinary Fund Event is specified as being applicable in the applicable Pricing Supplement, the Simple Interest;

"Protected Amount" means the amount specified as such in the Pricing Supplement;

"Private Equity Fund" means the private equity fund(s) specified as such in the Pricing Supplement;

"Simple Interest" means an amount calculated by the Calculation Agent equal to the amount of interest that would accrue on the Implied Embedded Option Value during the period from (and including) the Implied Embedded Option Value Determination Date to (and including) the Final Calculation Date calculated on the basis that such interest were payable by the Floating Rate Payer under an interest rate swap transaction incorporating the 2006 ISDA Definitions under which:

- (A) the **"Effective Date"** is the Implied Embedded Option Value Determination Date;
- (B) the **"Termination Date"** is the Termination Date;
- (C) the **"Floating Rate Payer Payment Date"** is the Termination Date;
- (D) the **"Floating Rate Option"** is EUR-EURIBOR-Reuters (if the Settlement Currency is EUR) or USD-LIBOR-BBA (if the Settlement Currency is USD);
- (E) the **"Designated Maturity"** is 3 months;
- (F) the **"Simple Interest Spread"** is as specified in the Pricing Supplement, or if not so specified minus 0.125 per cent.;
- (G) the **"Floating Rate Day Count Fraction"** is Actual/360;
- (H) the **"Reset Date"** is the Implied Embedded Option Value Determination Date and each date falling three calendar months after the previous Reset Date; and
- (I) **"Compounding"** is **"Inapplicable"**;

"Tender Offer" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 50 per cent. and less than 100 per cent. of the outstanding voting shares, units or interests of the Fund or Fund Service Provider, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant;

"Termination Amount" means the amount specified in the Pricing Supplement or if not so specified, (x) the Principal Protected Termination Amount, or (y) the Non-Principal Protected Termination Amount, as specified in the Pricing Supplement;

"Termination Date" means (i) the date specified in the applicable Final Terms, or (ii) if Delayed Redemption on the occurrence of an Extraordinary Fund Event is specified as being applicable in the relevant Pricing Supplement, such delayed date as will be specified by the Issuer in a notice to Holders in accordance with Condition 15 (*Notices*), hereof; and

"Trade Date" has the meaning given to it in the Pricing Supplement.

2. **Extraordinary Fund Events**

Subject to the provisions of Fund Linked Note Condition 3 (*Determination of Extraordinary Fund Events*), **"Extraordinary Fund Event"** means the occurrence or continuance at any time on or after the Trade Date of any of the following events as determined by the Calculation Agent:

Global Events:

2.1 the Fund or any Fund Service Provider:

- (i) ceases trading and/or, in the case of a Fund Service Provider, ceases administration, portfolio management, investment services, custodian services, prime brokerage, or any other relevant business (as applicable);
- (ii) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (iii) makes a general assignment or arrangement with or for the benefit of its creditors;
- (iv) (1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceedings or petition is instituted or presented by a person or entity not described in sub-clause (iv) (1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained, in each case within fifteen days of the institution or presentation thereof;
- (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (vi) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not immediately dismissed, discharged, stayed or restrained; or
- (vii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an effect analogous to any of the events specified in sub-clauses (i) to (vi) above; or

2.2 the occurrence of a Merger Event or Tender Offer;

Litigation/Fraudulent Activity Events:

2.3 there exists any litigation against the Fund or a Fund Service Provider which in the sole and absolute discretion of the Calculation Agent could materially affect the value of the Fund Shares or the rights or remedies of any investor in such Fund Shares; or

2.4

(i) an allegation of criminal or fraudulent activity is made in respect of the Fund, or any Fund Service Provider, or any employee of any such entity, or the Calculation Agent reasonably determines that any such criminal or fraudulent activity has occurred, or

(ii) any investigative, judicial, administrative or other civil or criminal proceedings are commenced or threatened against the Fund, any Fund Service Provider or any key personnel of such entities if such allegation, determination, suspicion or proceedings could, in the sole and absolute discretion of the Calculation Agent, materially affect the value of the Fund Shares or the rights or remedies of any investor in such Fund Shares;

Fund Service Provider/Key Person Events:

2.5

(i) a Fund Service Provider ceases to act in such capacity in relation to the Fund and is not immediately replaced in such capacity by a successor acceptable to the Calculation Agent and/or

(ii) any event occurs which causes, or will with the passage of time (in the opinion of the Calculation Agent) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents which failure is reasonably likely to have an adverse impact on the value of the Fund Shares or on the rights or remedies of any investor in such Fund Shares; or

2.6 one or more of the key individuals involved with, or having supervision over, the Fund or a Fund Service Provider ceases to act in such capacity, and the relevant Fund Service Provider fails to appoint a replacement having similar qualifications to those of the key individual or individuals ceasing to act;

Modification Events:

2.7 a material modification of or deviation from any of the investment objectives, investment restrictions, investment process or investment guidelines of the Fund (howsoever described, including the underlying type of assets in which the Fund invests), from those set out in the Fund Documents, or any announcement regarding a potential modification or deviation, except where such modification or deviation is of a formal, minor or technical nature;

2.8 a material modification, cancellation or disappearance (howsoever described), or any announcement regarding a potential future material modification, cancellation or disappearance (howsoever described), of the type of assets (i) in which the Fund invests, or (ii) the Fund purports to track;

2.9 a material modification, or any announcement regarding a potential future material modification, of the Fund (including but not limited to a material modification of the Fund Documents or to the Fund's liquidity terms) other than a modification or event which does not affect the Fund Shares or the Fund or any portfolio of assets to which the Fund Share relates (either alone or in common with other Fund Shares issued by the Fund);

2.10 the creation by the Fund of any illiquid share class or unit howsoever described;

2.11 the currency denomination of the Fund Shares is amended from that set out in the Fund Documents so that the NAV per Fund Share is no longer calculated in the same currency as it was as at the Trade Date;

- 2.12 if applicable, the Fund ceases to be an undertaking for collective investments under the legislation of its relevant jurisdiction; or
- 2.13 following the issue or creation of a new class or series (howsoever described in the Fund Documents) of shares or units by the Fund, the Calculation Agent determines taking into consideration the potential cross-liability between classes of shares or units (howsoever described in the Fund Documents) that such new class or series has or may have an adverse effect on the hedging activities of the Hedge Provider in relation to the Notes;

NAV per Fund Share/AUM Level Events:

- 2.14 a material modification of the method of calculating the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;
- 2.15 any change in the periodicity of the calculation or the publication of the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;
- 2.16 any suspension of the calculation or publication of the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;
- 2.17 the occurrence of any event affecting a Fund Share that, in the sole and absolute discretion of the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the NAV per Fund Share;
- 2.18 any of the Fund, any Fund Service Provider or any other party acting on behalf of the Fund fails for any reason to calculate and publish the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV within the Number of NAV Publication Days following any date scheduled for the determination of the valuation of the Fund Shares unless the cause of such failure to publish is of a technical nature and outside the immediate and direct control of the entity responsible for such publication;
- 2.19 any Fund Service Provider uses asset prices provided by the investment manager (howsoever described in the Fund Documents) to calculate the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV when such asset prices could have been obtained from independent sources and the asset prices from independent sources materially diverge from the asset prices provided by the investment manager (howsoever described in the Fund Documents);
- 2.20 the assets under management of the Fund falls below the AUM Level;
- 2.21 the Calculation Agent determines, at any time, that the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV is inaccurate, or (ii) the reported net asset value of the Fund Shares misrepresents the net asset value of the Fund Shares;
- 2.22 a NAV Trigger Event occurs; or
- 2.23 in the case of a Hedge Fund only, the audited net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV is different from the audited net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV communicated by the relevant Fund Service Provider in respect of the same date, (ii) the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, and/or (iii) the Calculation Agent, in its sole and absolute discretion, does not deem the audited net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV to be representative of the actual net asset value of the Fund and/or the NAV per Fund Share or, as the case may be, the Aggregate Fund Shares NAV;

Reporting Events:

- 2.24 any failure of the Fund, or its authorised representative, to deliver or publish, or cause to be delivered or published, (i) information that the Fund has agreed to deliver or publish, or agreed to cause to be delivered or published, to the Calculation Agent or Hedge Provider, or (ii) information that has been previously delivered to the Hedge Provider or the Calculation Agent, as applicable, in accordance with the Fund's, or its authorised representative's, normal practice and that the Hedge

Provider deems necessary for it or the Calculation Agent, as applicable, to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to the Fund Share; or

- 2.25 any Fund Service Provider fails to provide the Calculation Agent, within a reasonable time, with any information that the Calculation Agent has reasonably requested regarding the investment portfolio or other activities or undertakings of the Fund;

Tax/Law/Accounting/Regulatory Events:

- 2.26 there is a change in or in the official interpretation or administration of any laws or regulations relating to taxation that has or is likely to have a material adverse effect on any hedging arrangements entered into by any Hedge Provider in respect of the Notes (a "**Tax Event**") and, subject as provided below, the Hedge Provider has, for a period of one calendar month following the day the relevant Tax Event became known to it, used reasonable efforts to mitigate the material adverse effect of the Tax Event by seeking to transfer such hedging arrangements to an affiliated company, provided that the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period set out above for such mitigation shall be deemed satisfied on any date it is or becomes apparent at any time that there is no practicable means of mitigating the Tax Event; or

2.27

- (i) any relevant activities of or in relation to the Fund or a Fund Service Provider are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, in any applicable jurisdiction (including, but not limited to, any cancellation, suspension or revocation of the registration or approval of the Fund by any governmental, legal or regulatory entity with authority over the Fund);
- (ii) a relevant authorisation or licence is revoked, lapses or is under review by a competent authority in respect of the Fund or a Fund Service Provider or new conditions are imposed, or existing conditions varied, with respect to any such authorisation or licence;
- (iii) the Fund is required by a competent authority to redeem any Fund Shares;
- (iv) the Hedge Provider is required by a competent authority or any other relevant entity to dispose of or compulsorily redeem any Fund Shares held in connection with any hedging arrangements relating to the Notes; and/or
- (v) any change in the legal, tax, accounting or regulatory treatment of the Fund or any Fund Service Provider that is reasonably likely to have an adverse impact on the value of the Fund Shares or other activities or undertakings of the Fund or on the rights or remedies of any investor in such Fund Shares, including any Hedge Provider;

Hedging/Impracticality/Increased Costs Events:

- 2.28 in connection with any hedging activities in relation to the Fund Linked Notes, as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, after the Trade Date, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described, after such date or as a result of any other relevant event (each a "**Relevant Event**") (i) it would become unlawful or impractical for the Hedge Provider to hold (including, without limitation, circumstances requiring the Hedge Provider to modify any reserve, special deposit, or similar requirement or that would adversely affect the amount of regulatory capital that would have to be maintained in respect of any holding of Fund Shares or that would subject a holder of the Fund Shares or the Hedge Provider to any loss), purchase or sell the relevant Fund Shares or any underlying assets of or related to the Fund or for the Hedge Provider to maintain such hedging arrangements and, subject as provided below, the Hedge Provider has, for a period of one calendar week following the day the Relevant Event became known to it, used reasonable efforts to mitigate

the effect of the Relevant Event by seeking to transfer such hedging arrangements to an affiliated company, provided that the Hedge Provider shall not under any circumstances be obliged to take any steps which would result in sustaining a loss or expense of any kind and the period of one calendar week set out above shall be deemed satisfied on any date it is or becomes at any time apparent that there is no practicable means of mitigating the Relevant Event;

- 2.29 in connection with the hedging activities in relation to the Fund Linked Notes, if the cost to the Hedge Provider in relation to the Fund Linked Notes and the related hedging arrangements (including, but not limited to, new or increased taxes, duties, expenses or fees) would be materially increased or the Hedge Provider would be subject to a material loss relating to the Fund Linked Notes and the related hedging arrangements;
- 2.30 in connection with the hedging activities in relation to the Fund Linked Notes, the Hedge Provider is unable or it becomes impractical for the Hedge Provider, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the Issuer's obligations under the Notes; or (ii) to realise, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by the Fund on any investor's ability to redeem a Fund Share, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Share, or (B) any mandatory redemption, in whole or in part, of such Fund Share; or
- 2.31 at any time on or after the Trade Date, the Issuer or, as the case may be, the Guarantor would incur an increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, capital and/or funding costs, expense or fee (other than brokerage commissions) to maintain the Fund Linked Notes;

Dealing Events:

- 2.32
- (i) the non-execution or partial-execution by the Fund for any reason of a subscription or redemption order in respect of any Fund Shares (including, for the avoidance of any doubt, any non-execution by the Fund pending completion of its fiscal audit);
 - (ii) the Fund suspends or refuses transfers of any of its Fund Shares (including, without limitation, if the Fund applies any gating, deferral, suspension or other similar provisions permitting the Fund to delay or refuse redemption or transfer of Fund Shares);
 - (iii) the Fund imposes in whole or in part any restriction (including, without limitation, any redemption in specie), charge or fee in respect of a redemption or subscription of its Fund Shares by the Hedge Provider or exercises its right to claw back the proceeds already paid on redeemed Fund Shares, if in any case it could in the sole and absolute determination of the Calculation Agent have an adverse impact on the Hedge Provider's rights or obligations in relation to its hedging activities in relation to the Notes; or
 - (iv) a mandatory redemption, in whole or in part, of the Fund Shares is imposed by the Fund on any one or more holders of Fund Shares at any time for any reason;

Miscellaneous Events:

- 2.33 the occurrence of any Additional Extraordinary Fund Event;
- 2.34 in the case of Fund Linked Notes linked to a Fund Basket, a Basket Trigger Event occurs;
- 2.35 the Fund or any Fund Service Provider defaults under, materially modifies, or terminates any rebate agreements in place with the Issuer, the Guarantor, the Hedge Provider or any of its affiliates;
- 2.36 if the Fund is part of an umbrella structure with more than one sub-fund, a cross-contamination or other failure to segregate the portfolio of assets held by the Fund occurs between different series, classes and/or sub-funds;

- 2.37 any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Calculation Agent is comparable to security over any such assets (including without limitation any repo or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repo, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or terminable early by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or
- 2.38 the long-term unsecured, unsubordinated and unguaranteed debt rating assigned to any Fund Service Provider or any parent company (howsoever described) of the Fund, by Moody's Investors Service Inc., or any successor to the ratings business thereof ("**Moody's**"), and/or Standard and Poor's Rating Group (a division of McGraw-Hill, Inc.), or any successor to the ratings business thereof ("**S&P**"), is downgraded below A (S&P) or A2 (Moody's) and/or the short-term unsecured, unsubordinated and unguaranteed debt rating assigned to any Fund Service Provider by Moody's or S&P is downgraded below A-1 (S&P) or P-1 (Moody's).

References solely in this Fund Security Condition 2 (*Extraordinary Fund Events*) to:

- (i) "**Fund**" shall include the Fund and any funds in which it invests any of its investible assets from time to time;
- (ii) "**Fund Shares**" shall include the Fund Shares and the shares or units in any Fund (as defined in paragraph (i) above); and
- (iii) in the case of a Private Equity Fund only, "**Extraordinary Fund Event**" shall have the meaning given to it in the Pricing Supplement.

3. **Determination of Extraordinary Fund Events**

The Calculation Agent will determine if an Extraordinary Fund Event has occurred acting in good faith and in a commercially reasonable manner. Where the occurrence of an event or set of circumstances is capable of triggering more than one Extraordinary Fund Event, the Issuer or, as the case may be, the Guarantor may determine which Extraordinary Fund Event is to be triggered, in its sole and absolute discretion.

In considering whether the occurrence of an event or set of circumstances triggers an Extraordinary Fund Event, the Calculation Agent may have regard to the combined effect, from the Trade Date, of any event or set of circumstances, as the case may be, if such event or set of circumstances occurs more than once.

4. **Consequences of an Extraordinary Fund Event**

- 4.1 If the Calculation Agent determines that an Extraordinary Fund Event has occurred, the Issuer or, as the case may be, the Guarantor shall, as soon as reasonably practicable after having been notified of such determination by the Calculation Agent, give notice ("**Extraordinary Fund Event Notice**") to the Holders in accordance with Condition 15 (*Notices*) (which notice shall be irrevocable), of the occurrence of such Extraordinary Fund Event (the date on which an Extraordinary Fund Event Notice is given, an "**Extraordinary Fund Event Notification Date**") and set out, if determined at that time, the action that it has determined to take in respect of the Extraordinary Fund Event pursuant to Fund Linked Note Condition 4.2 below. Where the action that the Issuer or, as the case may be, the Guarantor has determined to take is not, for whatever reason, set out in the Extraordinary Fund Event Notice, the action that the Issuer or, as the case may be, the Guarantor has determined to take shall be set out in a subsequent notice given to Holders in accordance with Condition 15 (*Notices*) as soon as reasonably practicable after the Extraordinary Fund Event Notification Date.

For such purposes, an Extraordinary Fund Event shall be considered to be "continuing" if it has not been remedied to the reasonable satisfaction of the Issuer or, as the case may be, the Guarantor.

The Issuer or, as the case may be, the Guarantor shall provide Holders with an Extraordinary Fund Event Notice as soon as reasonably practicable following the determination of an Extraordinary Fund Event. However, neither the Issuer, the Guarantor nor the Calculation Agent shall be

responsible for any loss, underperformance or opportunity cost suffered or incurred by any Holder or any other person in connection with the Notes as a result of any delay, howsoever arising. If the Issuer or, as the case may be, the Guarantor gives an Extraordinary Fund Event Notice, it shall have no obligation to make any payment or delivery in respect of the Fund Linked Notes until it has determined the action that it has determined to take pursuant to Fund Linked Note Condition 4.2 below.

4.2 Following the occurrence of an Extraordinary Fund Event, the Issuer or, as the case may be, the Guarantor in its sole and absolute discretion, may take the action described below in (a), (b), (c) or (d).

(a) ***No Action***

If the Issuer, or as the case may be, the Guarantor in its sole and absolute discretion, determines that the action to be taken in respect of the Extraordinary Fund Event is to be "**No Action**", then the Fund Linked Notes shall continue and there shall be no amendment to the Terms and Conditions and/or the Pricing Supplement.

(b) ***Adjustment***

If the Issuer, or as the case may be, the Guarantor in its sole and absolute discretion, determines that the action to be taken in respect of the Extraordinary Fund Event is to be "**Adjustment**", then the Calculation Agent acting on instructions from the Issuer (or, as the case may be, the Guarantor) may determine, in its sole and absolute discretion, the appropriate adjustment(s), if any, to be made to any of the terms of these Terms and Conditions and/or the Pricing Supplement (including adjusting any Fee) to take account of the economic effect of the Extraordinary Fund Event and determine the effective date of such adjustment.

(c) ***Substitution***

If the Issuer, or as the case may be, the Guarantor in its sole and absolute discretion, determines that the action in respect of the Extraordinary Fund Event is to be "**Substitution**", the Calculation Agent shall:

(i) determine the weighted average price at which a Hypothetical Investor can redeem the Fund Shares in the relevant Fund in such number as determined by the Calculation Agent in its sole and absolute discretion as soon as it is reasonably practicable following the Extraordinary Fund Event;

(ii) for a period of not longer than 14 calendar days following the date on which a Hypothetical Investor would have received proceeds from a redemption order in full submitted by the Hedge Provider as soon as practicable following the occurrence of an Extraordinary Fund Event, use reasonable efforts to substitute the Fund Shares with shares, units or other similar interests in an alternative fund which, in the sole and absolute determination of the Calculation Agent, has similar characteristics to the relevant Fund, including but not limited to, comparable investment objectives, investment restrictions and investment processes and has service providers acceptable to the Calculation Agent;

(iii) if no alternative fund can be determined pursuant to the preceding sub-paragraph (ii) above, use reasonable efforts to substitute the Fund with an index (or a fund tracking such index) selected by the Calculation Agent in its sole and absolute discretion; and

(iv) following any substitution in accordance with sub-paragraph (ii) or (iii) above, the Issuer or, as the case may be, the Guarantor may, in its sole and absolute discretion, require the Calculation Agent make such determinations and/or adjustments to these Terms and Conditions and/or the Pricing Supplement as it determines to be appropriate to take account of such Substitution.

(d) ***Termination***

If the Issuer or, as the case may be, the Guarantor determines that the action to be taken in respect of the Extraordinary Fund Event is to be "**Termination**", on giving notice to Holders in accordance with Condition 15 (*Notices*) (which such notice may be included in the Extraordinary Fund Event Notice in respect of the relevant Extraordinary Fund Event) the outstanding Fund Linked Notes shall be redeemed by payment of the Termination Amount on the Termination Date. Payments will be made in such manner as shall be notified to the Holders in accordance with Condition 15 (*Notices*).

(e) **General**

In determining to take a particular action as a result of an Extraordinary Fund Event, neither the Issuer nor the Guarantor is under any duty to consider the interests of Holders or any other person. In making any determination as to which action to take following the occurrence of an Extraordinary Fund Event, neither the Issuer, the Guarantor nor the Calculation Agent shall be responsible for any loss (including any liability in respect of interest), underperformance or opportunity cost suffered or incurred by Holders or any other person in connection with the Fund Linked Notes as a result of any such determination, howsoever such loss may arise including as a result of any delay in making any payment or delivery in respect of the Fund Linked Notes.

5. **Maturity Date/Termination Date Extension**

If on the date falling two Business Days prior to the originally designated Maturity Date or Termination Date, as the case may be, the Hedge Provider has not, after having placed one or more redemption orders in respect of its holding of Fund Shares in accordance with the terms of the relevant Fund Documents, received redemption proceeds in full in respect of such Fund Shares (the "**Redemption Proceeds**"), the Calculation Agent may postpone the Maturity Date or Termination Date, as the case may be, and notify the Holders thereof in accordance with Condition 15 (*Notices*).

As soon as practicable following receipt by the Hedge Provider of the Redemption Proceeds the Calculation Agent shall give notice to Holders in accordance with Condition 15 (*Notices*) (such notice the "**Delayed Payment Notice**") and each Fund Linked Note shall be redeemed on the date specified in the Delayed Payment Notice (such date, the "**Postponed Settlement Date**") at its Redemption Amount.

PRO FORMA FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated []

Santander International Products plc.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

BANCO SANTANDER, S.A.

under the

EUR 10,000,000,000 Euro Medium Term Note Programme

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 Base Prospectus dated 29 July 2013 [and the supplemental Base Prospectus dated [date] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented]. **Prospective investors should note that investing in the Notes entails certain risks including (without limitation) the risk that the Issue Price may be greater than the market value of the Notes [and the risk that the Calculation Agent may exercise its discretion in such a way as to affect amounts due and payable under the Notes and/or their Maturity Date]. For a more detailed description of certain of the risks involved, see "Risk Factors" on pages 10 to 29 of the Base Prospectus.**

The Base Prospectus together with the relevant Final Terms have been published on the websites on the Irish Stock Exchange (http://www.ise.ie/Debt-Securities/Individual-Debt-Securities-Data/?action=SEARCH&search_word) and the Central Bank of Ireland (<http://www.centralbank.ie>) in an agreed electronic format.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.

Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions incorporated by reference in the Base Prospectus dated 29 July 2013. These Final Terms contain the applicable terms of the Notes and must be read in conjunction with the Base Prospectus dated 29 July 2013 [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive 2003/71/EC and amendments thereto including Directive 2010/73/EU (the "**Prospectus Directive**"), [save in respect of the conditions which are set forth in the base prospectus dated [original date] and are incorporated by reference in the Base Prospectus]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and the Base Prospectus dated 29 July 2013 [and the supplemental Base Prospectuses dated [date] and [date]]. The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address].]

[Include whichever of the following apply or specify as "Not applicable" (N/A). Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to Base Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer: Santander International Products plc.
- (ii) Guarantor: Banco Santander, S.A.
2. (i) [Series Number:] []
- (ii) [Tranche Number:] []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]*
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Notes:
 - (i) [Series:] []
 - (ii) [Tranche:] []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date](in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: []

Notes may only be issued which have a minimum denomination equal to or above the amount set out at Article 3(2)(d) of Prospectus Directive 2003/71/EC, as the same may be amended from time to time, including as amended by the 2010 PD Amending Directive.

[Note - where multiple denominations are being used and Notes are not being issued in registered form, the following sample wording should be followed: [EUR 100,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 199,000]. No Notes in definitive form will be issued with a denomination above [EUR 199,000].

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing systems so permit, the Notes will be tradable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive notes will be issued with a denomination above [EUR 199,000].]
- (ii) Calculation Amount: [the Specified Denomination]
- [If there are several Specified Denominations, insert the highest common factor of those Specified*

Denominations (note: there must be a common factor of two or more Specified Denominations).]

7. (i) Issue Date: []
- (ii) Interest Commencement Date (if different from the Issue Date): *[Insert relevant date/Issue Date/Not applicable]*
8. Maturity Date: *[Insert relevant date or (for Floating Rate Notes, CMS-Linked Notes, Inflation Linked Notes or Equity Linked Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
- [If the Maturity Date is less than one year from the Issue Date the Notes must comply with the Central Bank's notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 as amended (BSD C01/02) and, inter alia, have a minimum Specified Denomination of Euro 125,000. In addition such Notes must bear the following legend:*
- "An investment in the Notes does not have the status of a bank deposit and does not have the protection of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes."]*
9. Interest Basis: [[] per cent. Fixed Rate]
- [[Specify reference rate]+/- [] per cent. Floating Rate]
- [Index Linked Interest]
- [CMS-Linked: [specify reference rate] +/- [] per cent.]
- [Variable Coupon Amount]
- [Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]
- [Inflation Linked: please see *Provisions Applicable to Inflation Linked Notes* below for more details]
- (further particulars specified below)
10. Redemption/Payment basis: [Redemption at par]

[Dual Currency]

[Partly Paid]

[Instalment]

[Index Linked Redemption]

[Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]

[Inflation Linked: please see paragraph *Provisions Applicable to Inflation Linked Notes* below for more details]

11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable] [Specify the date when any change to the Interest Basis or Redemption/Payment Basis occurs with reference to paragraphs 15 and 16 below]

12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]

13. (i) Status of the Notes: Senior.
(ii) Status of the Guarantee: Senior.
(iii) [Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] obtained:] [] [and []], respectively
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of the Notes or related Guarantee*)

14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not applicable]
(if not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

(ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [specify *Business Day Convention and any applicable Business Day Jurisdictions for Condition 8 (h)*]]/ [not adjusted]

(iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount

(iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] .

(v) Day Count Fraction: [Actual/Actual(ICMA)] / [Actual/Actual(ISDA)] / [Actual/365(Fixed)] / [Actual/360] / [30/360] / [30E/360 or Eurobond Basis] / [30E/360(ISDA)]

16. **Floating Rate and CMS Linked Note Provisions** [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): []
- (ii) Specified Period: []
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not applicable")*
- (iii) Specified Interest Payment Dates: []
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not applicable")*
- (iv) [First Interest Payment Date:] []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (vi) Additional Business Centre(s): [Not applicable/[Insert name(s) of Additional Business Centre(s)]]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[Name] shall be the Calculation Agent *(no need to specify if the Principal Paying Agent is to perform this function)*]
- (ix) Margin Plus Rate: [Applicable] [Not Applicable]
- (x) Specified Percentage Multiplied by Rate: [Applicable] [Not Applicable]
- (xi) Difference in Rates: [Applicable] [Not Applicable]
- (xii) Screen Rate Determination of Rate:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]

- Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (xiii) ISDA Determination of Rate:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xiv) Screen Rate Determination of Rate 2:
- (in relation to Difference in Rates only)*
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (xv) ISDA Determination of Rate 2:
- (in relation to Difference in Rates only)*
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xvi) Margin(s): [[+/-][] per cent., per annum] [Not applicable]
- (xvii) Specified Percentage: [[] per cent.] [Not applicable]
- (xviii) Minimum Rate of Interest: [] per cent. per annum
- (xix) Maximum Rate of Interest: [] per cent. per annum
- (xx) Day Count Fraction: []
17. **Equity Linked Note interest provisions:** [Applicable – please refer to the sections "Provisions Applicable to Equity Linked Notes" and "Additional Provisions Applicable To Equity Linked Notes Only", below, for more information] [Not applicable] [*Delete as applicable*]
18. **Inflation Linked Note interest** [Applicable – please refer to "Provisions Applicable to Inflation Linked Notes", below, for more information]

provisions: [Not applicable] [*Delete as applicable*]

PROVISIONS RELATING TO REDEMPTION

19. **Call Option** [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s) []
(Call):
 - (ii) Optional Redemption [] per Calculation Amount
Amount(s) of each Note:
 - (iii) If redeemable in part:
 - (a) Minimum [] per Calculation Amount
Redemption Amount:
 - (b) Maximum [] per Calculation Amount
Redemption Amount:
 - (iv) Notice period []
20. **Put Option** [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s) []
(Put):
 - (ii) Optional Redemption [] per Calculation Amount
Amount(s) of each Note:
 - (iii) Notice period: []
21. **Final Redemption Amount of each Note** [[] per Calculation Amount] / *See Equity-Linked redemption provisions / See Inflation-Linked Note redemption provisions*
22. **Early Redemption Amount** []
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on an event of default (if required or if different from that set out in the Conditions): [Not applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]
23. **Equity Linked Note redemption provisions:** [Applicable – please refer to the section headed "Provisions Applicable to Equity Linked Notes" for more information] [Not applicable] [*Delete as applicable*]
24. **Inflation-Linked Note redemption provisions:** [Applicable – please refer to the section headed "Provisions Applicable to Inflation Linked Notes" below for more information] [Not applicable] [*Delete as applicable*]

PROVISIONS APPLICABLE TO EQUITY LINKED NOTES

(Annex 1 to Terms and Conditions)

(Delete entire section if Equity Linked Note provisions not applicable)

25. **Structure 1** [Applicable] [Not applicable]
- (Part 1 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Strike Price: [] per cent. of Initial Price
- (iii) Coupon B Percentage: [] per cent.
- (iv) Final Price Date: []
- (v) Initial Price Date: []
- (vi) Initial Price(s): [As set out in the applicable part of Annex 1]
- (vii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[[(i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share]]* [Not applicable]
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)*
- (viii) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
- (ix) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)]* [Not applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
26. **Structure 2** [Applicable] [Not applicable]
- (Part 2 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of Initial Price
- (iii) Coupon A Percentage: [] per cent.
- (iv) Coupon C Percentage: [] per cent.

- (v) Final Price Date: []
- (vi) Initial Price Date: []
- (vii) Initial Price: [As set out in the applicable part of Annex 1]
- (viii) The identity of the issuer of the Share, class of the Share and ISIN or other security identification code for the Share: *(((i) name of issuer of the Share (ii) class of the Share and (iii) ISIN or other security identification code for the Share))* [Not applicable]

(in relation to Single Share Linked Notes only)
- (ix) Share Index: *[Index]* [Not applicable]

(in relation to Single Share Index Linked Notes only)
- (x) Share Index Sponsor: *[Name of Share Index Sponsor]* [Not applicable]

(in relation to Single Share Index Linked Notes only)
27. **Structure 3** [Applicable] [Not applicable]

(Part 3 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Cap Level: []
- (iii) Coupon B Percentage: [] per cent.

(in relation to Single Share Linked Notes and Single Share Index Linked Notes only)
- (iv) Final Price Date: []
- (v) Initial Price Determination Period: []
- (vi) Initial Price(s): [As set out in the applicable part of Annex 1]
- (vii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *(((i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share))* [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)
- (viii) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket*

(in relation to Single Share

Index Linked Notes and Share Index Basket Linked Notes only) *Linked Notes)* [Not applicable]

(ix) Share Index Sponsor(s): [Name of Share Index Sponsor(s)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

28. **Structure 4** [Applicable] [Not applicable]

(Part 4 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*

(ii) Barrier A: [] per cent. of the Initial Price

(iii) Barrier B: [] per cent. of the Initial Price

(iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentages:	Interest Payment Date:	Coupon A Percentage:
	<i>[Insert]</i>	<i>[Insert]</i>
	<i>[Insert]</i>	<i>[Insert]</i>

(vi) Coupon B Percentage: [] per cent.

(vii) Early Redemption Dates: []

(viii) Initial Price Date: []

(ix) Initial Price(s): [As set out in the applicable part of Annex 1]

(x) Instalment Amount Percentage: [] per cent.

(xi) Instalment Date₍₁₎: []

(xii) N: []

(xiii) Valuation Dates: []

(xiv) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[[(i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share]]* [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xv) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and*

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only) *each of the Share Indices for Share Index Basket Linked Notes)* [Not applicable]

(xvi) Share Index Sponsor(s): [Name(s) of Share Index Sponsor(s)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

29. **Structure 5** [Applicable] [Not applicable]

(Part 5 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*

(ii) Barrier A: [] per cent. of the Initial Price

(iii) Barrier B: [[] per cent. of the Initial Price] [Not applicable]

(iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentages:

Interest Payment Date:	Coupon A Percentage:
<i>[Insert]</i>	<i>[Insert]</i>
<i>[Insert]</i>	<i>[Insert]</i>

(vi) Coupon B Percentage: [] per cent.

(vii) Floor Level: []

(viii) Early Redemption Provision: [Applicable] [Not applicable]

(ix) Early Redemption Dates: [] [Not applicable]

(x) N: []

(xi) Initial Price Date: []

(xii) Initial Price(s): [As set out in the applicable part of Annex 1]

(xiii) Valuation Dates: []

(xiv) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[((i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)]* [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xv) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and*

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only) each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]

(xvi) Share Index Sponsor(s): [Names of Share Index Sponsor(s)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

30. **Structure 6** [Applicable] [Not applicable]

(Part 6 of Annex 1 to Terms and Conditions) (If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] [Delete as applicable]

(ii) Barrier A: [] per cent. of the Initial Price

(iii) Barrier B: [] per cent. of the Initial Price

(iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon B Percentage: [] per cent.

(vi) Early Redemption Dates: []

(vii) Floor Level_(i):

Interest Payment Date	Floor Level
<i>Insert</i>	<i>Insert</i>

(viii) Initial Price Date: []

(ix) Initial Price(s): [As set out in the applicable part of Annex 1]

(x) N: []

(xi) Valuation Dates: []

(xii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): [(i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xiii) Share Index/Indices: [(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes)

only)

(xiv) Share Index Sponsor(s): [Name(s) of Share Index Sponsor(s)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

31. **Structure 7** [Applicable] [Not applicable]

(Part 7 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*

(ii) Barrier A: [] per cent. of the Initial Price

(iii) Barrier B: [] per cent. of the Initial Price

(iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentages:

Interest Payment Date:	Coupon A Percentage:
<i>[Insert]</i>	<i>[Insert]</i>
<i>[Insert]</i>	<i>[Insert]</i>

(vi) Coupon B Percentage: [] per cent.

(vii) Floor Level: []

(viii) Early Redemption Dates: []

(ix) Initial Price Date: []

(x) Initial Price(s): [As set out in the applicable part of Annex 1]

(xi) N: []

(xii) Valuation Dates: []

(xiii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share]* [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xiv) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

(xv) Share Index Sponsor(s): [Name(s) of Share Index Sponsor(s)] [Not applicable]
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

32. **Structure 8** [Applicable] [Not applicable]

(Part 8 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*

(ii) Barrier A: [] per cent. of the Initial Price

(iii) Barrier B: [] per cent. of the Initial Price

(iv) Coupon A Percentage ⁽ⁱ⁾ :	Interest Payment Date:	Coupon A Percentage:
	<i>[Insert]</i>	<i>[Insert]</i>
	<i>[Insert]</i>	<i>[Insert]</i>

(v) Coupon B Percentage: [] per cent.

(vi) Early Redemption Dates: []

(vii) Initial Price Date: []

(viii) Initial Price(s): [As set out in the applicable part of Annex 1]

(ix) N: []

(x) Valuation Dates: []

(xi) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)]* [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xii) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

(xiii) Share Index Sponsor(s): [Name(s) of Share Index Sponsor(s)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked only)

33. **Structure 9** [Applicable] [Not applicable]
- (Part 9 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of the Initial Price
- (iii) Barrier B: [] per cent. of the Initial Price
- (iv) Barrier C: [] per cent. of the Initial Price
- (v) Coupon A Percentages:
- | Interest Payment Date: | Coupon A Percentage: |
|------------------------|----------------------|
| <i>[Insert]</i> | <i>[Insert]</i> |
| <i>[Insert]</i> | <i>[Insert]</i> |
- (vi) Coupon B Percentage: [] per cent.
- (vii) Early Redemption Dates: []
- (viii) Initial Price Date: []
- (ix) Initial Price(s): [As set out in the applicable part of Annex 1]
- (x) N: []
- (xi) Strike Price: [] per cent. of the Initial Price
- (xii) Valuation Dates: []
- (xiii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[((i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)]* [Not applicable]
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)*
- (xiv) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
- (xv) Share Index Sponsor: *[Name(s) of Share Index Sponsor(s)]* [Not applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
34. **Structure 10** [Applicable] [Not applicable]

(Part 10 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] [*Delete as applicable*]
- (ii) Barrier A: [] per cent. of the Initial Price
- (iii) Barrier B: [] per cent. of the Initial Price
- (iv) Barrier C: [] per cent. of the Initial Price
- (v) C: [] per cent.
- (vi) Coupon B Percentage: []
- (vii) Early Redemption Dates: []
- (viii) Initial Price Date: []
- (ix) Initial Price(s): [As set out in the applicable part of Annex 1]
- (x) N: []
- (xi) Valuation Dates: []
- (xii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s):
[(i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]
(in relation to Single Share Linked Notes and Share Basket Linked Notes only)
- (xiii) Share Index/Indices: *[(Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (xiv) Share Index Sponsor(s): [Name(s) of Share Index Sponsor(s)] [Not applicable]
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

ADDITIONAL PROVISIONS APPLICABLE TO EQUITY LINKED NOTES ONLY

[Delete all following paragraphs if Equity Linked Note provisions not applicable]

35. Interest Payment Dates: []
36. Interest Period: []
37. Calculation Agent: []
38. Exchange(s): []

39. Exchange Business Day Convention: [Following Business Day Convention] [Modify Following Business Day Convention]
40. Related Exchange(s): []
41. Valuation Time: [] [as set out in Annex 1 to Terms and Conditions] [*Delete as applicable*]
42. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
43. Additional Business Centre(s): [Not applicable] [*Additional Business Centre(s)*]

PROVISIONS APPLICABLE TO INFLATION LINKED NOTES

(Annex 2 to Terms and Conditions)

[Delete all following paragraphs if Inflation Linked Note provisions not applicable]

44. Interest Payment Dates: []
45. Interest Period: []
46. Calculation Agent: []
47. (i) Interest Rate: [Inflation Linked interest payment based on a fixed rate of interest] [Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate] [Inflation Linked interest payment plus Margin] [Inflation Linked interest payment plus a Margin subject to a minimum interest rate] [Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate] [Inflation Linked interest payment plus a Margin subject to a maximum interest rate] [*Delete as applicable*]

(ii) Fixed Rate of Interest: [] [Not applicable]

(iii) T:

Interest Payment Date	T
<i>Insert</i>	<i>Insert</i>

(iv) T_{START}:

Interest Payment Date	T _{START}
<i>Insert</i>	<i>Insert</i>

(v) Cap: [] [Not applicable]

(vi) Floor: [] [Not applicable]

(vii) Margin: [] [Not applicable]

48. (i) Final Redemption Amount: [Inflation-Linked Final Redemption Amount] [Inflation-Linked Final Redemption Amount subject to a minimum of par] [Inflation-Linked Final Redemption Amount subject to a minimum of zero and a maximum of par] [*Delete as applicable*]
- (ii) T_{FINAL} : []
- (iii) T_{START} : []
49. Inflation Index: []
50. Inflation Index Sponsor: []
51. Related Bond: [*Insert name and ISIN or other security identification code of Related Bond*] [Not applicable] [Fallback Bond] [*Delete as applicable*]
52. Fallback Bond: [Applicable] [Not applicable]
53. Inflation Index Level Adjustment: [See details in Section 4 of Annex 2 to Terms and Conditions] [Option (i) as specified in paragraph 6 of Section 2 of Annex 2 to the Terms and Conditions] [*Annex 2, Section 2, Paragraph 6 of terms and conditions*] [Option (ii) as specified in paragraph 6 of Section 2 of Annex 2 to the Terms and Conditions] [*Delete as applicable*]
54. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [*Delete as applicable*]
55. Additional Business Centre(s): [Not applicable] [*Name(s) of Additional Business Centre(s)*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

56. Form of Notes: Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice.] [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/ in the limited circumstances specified in the Permanent Global Note.] [*Delete as applicable*]¹

[Registered Notes: [Restricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC]] [Unrestricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]] [*Delete as applicable*].

57. Business Day Jurisdictions for Condition 8(h) or other special provisions relating to Payment Dates: [Not applicable/*Business Day Jurisdictions*]. *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(ii) and 19(vii) relate*
58. New Global Note Form: [Yes] [No]
59. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert dates*]
60. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not applicable] []
61. Consolidation provisions: [Not applicable/The provisions [in Condition 14 (*Further Issues*)] apply]

DISTRIBUTION

62. (i) If syndicated, names [and addresses] of Managers [and underwriting commitments]: (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (ii) Stabilising Manager(s) (if any): [Not applicable/[]
- (iii) [Date of [Subscription [] Agreement]]:
63. If non-syndicated, name [and address] [] of Dealer:

¹ The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."

64. Total commission and concession: [[] per cent. of the Aggregate Nominal Amount]
65. US Selling Restrictions: [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable]]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [*specify relevant market*] of the Notes described herein] pursuant to the EUR 10,000,000,000 Euro Medium Term Note Programme of Santander International Products plc.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms (*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: _____

By: _____

Duly authorised

Duly authorised

By: _____

By: _____

Duly authorised

Duly authorised

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing [(Insert Listing)]
- (ii) Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*the Regulated Market of the Irish Stock Exchange*]] with effect from [].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*the Regulated Market of the Irish Stock Exchange*] with effect from [].]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: []]

[Fitch: []]

[Moody's: []]

[[Other]:[]]

[Insert full name of legal entity that has given the rating] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Insert full name of legal entity that has given the rating] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended).]

[Insert full name of legal entity that has given the rating] is a third country rating agency that is endorsed by an EU registered agency and [has/has not] applied for registration under Regulation (EC) No 1060/2009 (as amended) but is certified in accordance with such regulation.]

[Insert full name of legal entity that has given the rating] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 (as amended).]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 (as amended) ("**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

A rating is not a recommendation by any rating organisation to buy, sell or hold Notes and may be subject to revision or withdrawal at any time by the assigning rating organisation.

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Plan of Distribution"] and "General Information", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING**

(i) [Reasons for the offer:] [] *(See ["Use of Proceeds"] wording in Offering Circular- if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.)*

(ii) [Estimated net proceeds:] []

(iii) [Estimated total expenses:] [] *[Indicate the amount of any expenses and taxes specifically charged to the investor.]*

[(If the Notes are derivative securities to which Annex XII of the Commission Regulation (EC) No. 809/2004 applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5. **[Fixed Rate Notes only – YIELD]**

Indication of yield: []

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes Only - HISTORIC INTEREST RATES]**

Details of historic [LIBOR/EURIBOR/LIBID/LIMEAN] rates can be obtained from [Reuters].]

7. **[CMS Linked Notes Only – HISTORIC RATES]**

Details of historic swap rates can be obtained from [Reuters].]

8. **[Inflation Linked Notes, Equity Linked Notes– PERFORMANCE OF INDEX/FORMULA/FUND, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to insert link or give other indication of where information on past and future performance and volatility of the equity/index/formula/fund/other variable can be obtained. [Where the underlying is an Inflation Index, Share Index or other index need to include the name of the index and insert a link or give other indication as to where further information about the Inflation Index, Share Index or other index can be found. [Where the underlying is a Share include name of issuer of such Share and ISIN or other relevant identification number and insert link or give other indication of where further information of Share can be found.][Where the underlying is not an index need to include equivalent information including, in the case of Fund Linked Notes, pricing information, name and (if relevant) ISIN of underlying, and insert link or give other indication of where further information relating to the underlying can be found.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

9. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

10. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

CUSIP Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s) (if any): []

Names and addresses of additional Paying Agent(s) (if any): []

Intended to be held in a manner which would allow Eurosystem [Not applicable/Yes/No]

[Note that the designation "yes" simply means that the

eligibility:

Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] *[include this text for registered notes held under the NSS]* and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met. *[include this text if "yes" selected in which case the bearer Global Notes must be issued in NGN form/the registered Global Note Certificates must be held under the NSS]*

PRO FORMA PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.

Pricing Supplement dated []

Santander International Products plc.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

BANCO SANTANDER, S.A.

under the

EUR 10,000,000,000 Euro Medium Term Note Programme

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 Listing Particulars dated 29 July 2013 [and the supplement to the Listing Particulars dated [date]] which [together] constitute[s] listing particulars for the purposes of the listing and admission to trading rules of the Irish Stock Exchange]. This document constitutes the Pricing Supplement of the Notes described herein for the purposes of the Listing Rules]. This Pricing Supplement contains the pricing supplement of the Notes and must be read in conjunction with such Listing Particulars [as so supplemented]. **Prospective investors should note that investing in the Notes entails certain risks including (without limitation) the risk that the Issue Price may be greater than the market value of the Notes [and the risk that the Calculation Agent may exercise its discretion in such a way as to affect amounts due and payable under the Notes and/or their Maturity Date]. For a more detailed description of certain of the risks involved, see "Risk Factors" on pages 10 to 29 of the Listing Particulars.**

Full information on the Issuer, the Guarantor and the offer of the Notes described herein is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars [as so supplemented]. The Listing Particulars [and the supplemental Listing Particulars] [is] [are] available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from [address]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Listing Particulars with an earlier date and the relevant terms and conditions from that offering circular with an earlier date were incorporated by reference in these Listing Particulars.

Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions incorporated by reference in the Listing Particulars dated 29 July 2013. This Pricing Supplement contains the applicable terms of the Notes and must be read in conjunction with the Listing Particulars dated 29 July 2013 [and the supplement to the Listing Particulars dated [date]] which [together] constitute[s] listing particulars for the purposes of the listing and admission to trading rules of the Irish Stock Exchange, save in respect of the conditions which are set forth in the listing particulars dated [original date] and are incorporated by reference in the Listing Particulars. This document constitutes the Pricing Supplement of the Notes described herein for the purposes of the Listing Rules.

Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Pricing Supplement and the Listing Particulars dated [original date] and the Listing Particulars dated 29 July 2013 [and the supplement to the Listing Particulars dated []]. The Listing Particulars [and the supplemental Listing Particulars] are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as "Not applicable" (N/A). Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement]

[When completing any pricing supplement, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Listing Particulars.]

1. (i) Issuer: Santander International Products plc.
 - (ii) Guarantor: Banco Santander, S.A.
 2. (i) [Series Number:] []
 - (ii) [Tranche Number:] []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)*
3. Specified Currency or Currencies: []
 4. Aggregate Nominal Amount of Notes:
 - (i) [Series:] []
 - (ii) [Tranche:] []
 5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
 6. (i) Specified Denominations: []
- Notes may only be issued which have a minimum denomination equal to or above EUR 100,000.*
- [Note - where multiple denominations are being used and Notes are not being issued in registered form, the following sample wording should be followed: [EUR 100,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 199,000]. No Notes in definitive form will be issued with a denomination above [EUR 199,000].*
- So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing systems so permit, the Notes will be tradable only in the minimum authorised denomination of [EUR 100,000] and higher integral multiples of [EUR 1,000], notwithstanding that no definitive notes will be issued with a denomination above [EUR 199,000].]*
- (ii) Calculation Amount: *[the Specified Denomination]*
- [If there are several Specified Denominations, insert the highest common factor of those Specified Denominations (note: there must be a common factor of two or more Specified Denominations).]*

7. (i) Issue Date: []
- (ii) Interest Commencement Date (if different from the Issue Date): [Specify/Issue Date/Not applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes, CMS-Linked Notes, Inflation Linked Notes or Equity Linked Notes) Interest Payment Date falling in or nearest to the relevant month and year]
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]
- [If the Maturity Date is less than one year from the Issue Date the Notes must comply with the Central Bank's notice by the Central Bank of Ireland of exemptions granted under section 8(2) of the Central Bank Act, 1971 as amended (BSD C01/02) and, inter alia, have a minimum Specified Denomination of Euro 125,000. In addition such Notes must bear the following legend:
- "An investment in the Notes does not have the status of a bank deposit and does not have the protection of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes."]
9. Interest Basis: [[] per cent. Fixed Rate]
- [[Specify reference rate]+/- [] per cent. Floating Rate]
- [Index/Fund Linked Interest]
- [CMS-Linked: [specify reference rate] +/- [] per cent.]
- [Variable Coupon Amount]
- [Other (Specify)]
- [Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]
- [Inflation Linked: please see *Provisions Applicable to Inflation Linked Notes* below for more details]
- (further particulars specified below)
10. Redemption/Payment basis: [Redemption at par]

[Dual Currency]

[Partly Paid]

[Instalment]

[Other (*specify*)]

[Index/Fund Linked Redemption]

[Equity Linked: please see the section headed *Provisions Applicable to Equity Linked Notes* below for more details]

[Inflation Linked: please see paragraph *Provisions Applicable to Inflation Linked Notes* below for more details]

11. Change of Interest or Redemption/Payment Basis: [Applicable/Not Applicable] [*Specify the date when any change to the Interest Basis or Redemption/Payment Basis occurs with reference to paragraphs 15 and 16 below*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (i) Status of the Notes: Senior.
(ii) Status of the Guarantee: Senior.
(iii) [Date [Board] approval for issuance of Notes [and Guarantee] [respectively]] [] [and [], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of the Notes or related Guarantee*)
obtained:]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not applicable]
(if not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other/(*specify*)] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Day Jurisdictions for Condition 8 (h)*]]/ [not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [].
- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA/ISDA)]/ other]

- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not applicable/*give details*]
16. **Floating Rate and CMS Linked Note Provisions** [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): []
- (ii) Specified Period: []
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not applicable")
- (iii) Specified Interest Payment Dates: []
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not applicable")
- (iv) [First Interest Payment Date:] []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (vi) Additional Business Centre(s): [Not applicable/*give details*]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
- (ix) Margin Plus Rate: [Applicable] [Not Applicable]
- (x) Specified Percentage Multiplied by Rate: [Applicable] [Not Applicable]
- (xi) Difference in Rates: [Applicable] [Not Applicable]
- (xii) Screen Rate Determination of Rate:
- Reference Rate: [*For example, LIBOR or EURIBOR*]
 - Interest Determination Date(s): []
 - Relevant Screen [For example, Reuters LIBOR 01/ EURIBOR 01]

- Page:
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (xiii) ISDA Determination of Rate:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xiv) Screen Rate Determination of Rate 2:
- (in relation to Difference in Rates only)*
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (xv) ISDA Determination of Rate 2:
- (in relation to Difference in Rates only)*
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xvi) Margin(s): [[+/-][] per cent., per annum] [Not applicable]
- (xvii) Specified Percentage: [[] per cent.] [Not applicable]
- (xviii) Minimum Rate of Interest: [] per cent. per annum
- (xix) Maximum Rate of Interest: [] per cent. per annum
- (xx) Day Count Fraction: []
- (xxi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest []

on Floating Rate Notes or CMS-Linked Notes, if different from those set out in the Conditions:

17. **Fund Linked Note Provisions** [Applicable/Not applicable]
- (i) Fund/Fund Basket: []
 [The [] Fund is a Mutual Fund]
 [The [] Fund is a Hedge Fund]
 [The [] Fund is a Private Equity Fund]
- (ii) Listing of the Fund: []
- (iii) Authorisation of the Fund: [*specify where the Fund is authorised*]
- (iv) Fund Share(s): []
- (v) Fund Documents: [As per Conditions]/[]
- (vi) Fund Business Day: [All Fund Share Basis/Per Fund Share Basis/Single Fund Share Basis]
- (vii) Trade date: []
- (viii) Fund Service Provider: [As per Conditions]/[]
- (ix) Calculation Date(s): [As per Conditions]/[]
- (x) Initial Calculation Date: []/[Not applicable]
- (xi) Final Calculation Date: []/[Not applicable]
- (xii) Hedging Date: []/[Not applicable]
- (xiii) AUM Level: []/[Not applicable]
- (xiv) NAV Trigger Percentage: [As per Conditions]/[] per cent.
- (xv) NAV Trigger Period: []
- (xvi) Number of NAV Publication Days: [*Insert number of days*]
- (xvii) Basket Trigger Level: [As per Conditions]/[]
- (xviii) Extraordinary Fund Event (in the case of a Private Equity Fund only): []
- (xix) Optional Additional Disruption Event(s): []
- (xx) Additional Extraordinary Fund Event(s): []
- (xxi) Fee: []/[Not applicable]
- (xxii) Termination Amount: [Principal Protected Termination Amount]/[Non-Principal Protected Termination Amount]/[As per

- Conditions)/[specify]
- (xxiii) Simple Interest Spread: [As per Conditions]/[]
- (xxiv) Termination Date: []
- (xxv) Delayed Redemption on the Occurrence of an Extraordinary Fund Event: [Applicable/Not applicable]
- (xxvi) Delayed Payment Cut-Off Date: []
- (xxvii) [Weighting: The weighting to be applied to each Fund Share comprising the Fund Basket is []]
- (xxviii) Protected Amount: []
- (xxix) Calculation Agent: []
- (xxx) Other terms or special conditions: [Not applicable]/[]
18. **Index-Linked Interest Note/ other variable-linked interest Note Provisions** [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Equity/ Index / Formula/ other variable: []
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculation by reference to Equity and/or Index and/or Formula and/or other variable: []
- (iv) Interest Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Equity and/or Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Interest or calculation period(s): []
- (vii) Specified Period: []
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not applicable")*

- (viii) Specified Interest Payment []
 Dates:
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not applicable")
- (ix) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other Business Day convention]
 [Delete as applicable]
- (x) Additional Business Centre(s): []
- (xi) Minimum Rate/Amount of [] per cent. per annum
 Interest:
- (xii) Maximum Rate Amount of [] per cent. per annum
 Interest:
- (xiii) Day Count Fraction []

19. **Dual Currency Note Provisions**

- (i) Rate of Exchange/method of calculating Rate of Exchange: []
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

20. **Equity Linked Note interest provisions:** [Applicable – please refer to the sections "*Provisions Applicable to Equity Linked Notes*" and "*Additional Provisions Applicable To Equity Linked Notes Only*", below, for more information] [Not applicable] *[Delete as applicable]*

21. **Inflation Linked Note interest provisions:** [Applicable – please refer to "*Provisions Applicable to Inflation Linked Notes*", below, for more information] [Not applicable] *[Delete as applicable]*

PROVISIONS RELATING TO REDEMPTION

22. **Call Option** [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s) (Call): []

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [] per Calculation Amount
 - (b) Maximum Redemption Amount: [] per Calculation Amount
 - (iv) Notice period []
23. **Put Option** [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Put): []
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
 - (iii) Notice period: []
24. **Final Redemption Amount of each Note** [[] per Calculation Amount]
- In cases where the Final Redemption Amount is Index-Linked, Fund Linked or other variable-linked:
- (i) Equity/Index/Formula/Fund/other variable: []
 - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other Fund and/or other variable: []
 - (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or Fund and/or other variable: []
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other Fund and/or other

variable is impossible or impracticable or otherwise disrupted:

- (vi) [Payment Date:] []
- (vii) Minimum Final Redemption Amount: [] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [] per Calculation Amount

25. **Early Redemption Amount**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on an event of default or an occurrence of an Extraordinary Fund Event and/or the method of calculating the same (if required or if different from that set out in the Conditions): [Not applicable (if both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)]

26. **Equity Linked Note redemption provisions:** [Applicable – please refer to the section headed "Provisions Applicable to Equity Linked Notes" for more information] [Not applicable] [Delete as applicable]

27. **Inflation-Linked Note redemption provisions:** [Applicable – please refer to the section headed "Provisions Applicable to Inflation Linked Notes" below for more information] [Not applicable] [Delete as applicable]

PROVISIONS APPLICABLE TO EQUITY LINKED NOTES

(Annex 1 to Terms and Conditions)

(Delete entire section if Equity Linked Note provisions not applicable)

28. **Structure 1** [Applicable] [Not applicable]

(Part 1 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] [Delete as applicable]
- (ii) Strike Price: [] per cent. of Initial Price
- (iii) Coupon B Percentage: [] per cent.
- (iv) Final Price Date: []
- (v) Initial Price Date: []
- (vi) Initial Price(s): [As set out in the applicable part of Annex 1]
- (vii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification *(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)*

- code(s) for the Shares(s):
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)*
- (viii) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]*
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (ix) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)] [Not applicable]*
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
29. **Structure 2** *[Applicable] [Not applicable]*
- (Part 2 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: *[Single Share Linked Notes] [Single Share Index Linked Notes] [Delete as applicable]*
- (ii) Barrier A: *[] per cent. of Initial Price*
- (iii) Coupon A Percentage: *[] per cent.*
- (iv) Coupon C Percentage: *[] per cent.*
- (v) Final Price Date: *[]*
- (vi) Initial Price Date: *[]*
- (vii) Initial Price: *[As set out in the applicable part of Annex 1]*
- (viii) The identity of the issuer of the Share, class of the Share and ISIN or other security identification code for the Share:
[(Specify (i) name of issuer of the Share (ii) class of the Share and (iii) ISIN or other security identification code for the Share)] [Not applicable]
(in relation to Single Share Linked Notes only)
- (ix) Share Index: *[(Specify Index)] [Not applicable]*
(in relation to Single Share Index Linked Notes only)
- (x) Share Index Sponsor: *[Insert name of Share Index Sponsor] [Not applicable]*
(in relation to Single Share Index Linked Notes only)

30. **Structure 3** [Applicable] [Not applicable]
- (Part 3 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Cap Level: []
- (iii) Coupon B Percentage: [] per cent.
(in relation to Single Share Linked Notes and Single Share Index Linked Notes only)
- (iv) Final Price Date: []
- (v) Initial Price Determination Period: []
- (vi) Initial Price(s): [As set out in the applicable part of Annex 1]
- (vii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)]* [Not applicable]
(in relation to Single Share Linked Notes and Share Basket Linked Notes only)
- (viii) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (ix) Share Index Sponsor(s): *[Insert name of Share Index Sponsor(s)]* [Not applicable]
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
31. **Structure 4** [Applicable] [Not applicable]
- (Part 4 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of the Initial Price
- (iii) Barrier B: [] per cent. of the Initial Price

(iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentage(s):

Interest Payment Date:	Coupon A Percentage:
[Insert]	[Insert]
[Insert]	[Insert]

(vi) Coupon B Percentage: [] per cent.

(vii) Early Redemption Dates: []

(viii) Initial Price Date: []

(ix) Initial Price(s): [As set out in the applicable part of Annex 1]

(x) Instalment Amount Percentage: [] per cent.

(xi) Instalment Date₍₁₎: []

(xii) N: []

(xiii) Valuation Dates: []

(xiv) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): [(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xv) Share Index/Indices: [(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

(xvi) Share Index Sponsor(s): [Insert name(s) of Share Index Sponsor(s)] [Not applicable]

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

32. **Structure 5** [Applicable] [Not applicable]

(Part 5 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*

(ii) Barrier A: [] per cent. of the Initial Price

- (iii) Barrier B: [[] per cent. of the Initial Price] [Not applicable]
- (iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentages:	Interest Payment Date:	Coupon A Percentage:
	<i>[Insert]</i>	<i>[Insert]</i>
	<i>[Insert]</i>	<i>[Insert]</i>

- (vi) Coupon B Percentage: [] per cent.
- (vii) Floor Level: []
- (viii) Early Redemption Provision: [Applicable] [Not applicable]
- (ix) Early Redemption Dates: [] [Not applicable]
- (x) N: []
- (xi) Initial Price Date: []
- (xii) Initial Price(s): [As set out in the applicable part of Annex 1]
- (xiii) Valuation Dates: []
- (xiv) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s):
[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]
(in relation to Single Share Linked Notes and Share Basket Linked Notes only)
- (xv) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]*
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (xvi) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)] [Not applicable]*
(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

33. **Structure 6** [Applicable] [Not applicable]

(Part 6 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of the Initial Price

- (iii) Barrier B: [] per cent. of the Initial Price
- (iv) Barrier C: [] per cent. of the Initial Price
- (v) Coupon B Percentage: [] per cent.
- (vi) Early Redemption Dates: []

(vii) Floor Level(i):	Interest Payment Date	Floor Level
	<i>Insert</i>	<i>Insert</i>

- (viii) Initial Price Date: []
- (ix) Initial Price(s): [As set out in the applicable part of Annex 1]
- (x) N: []
- (xi) Valuation Dates: []
- (xii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]*
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)*
- (xiii) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]*
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
- (xiv) Share Index Sponsor(s): *[insert name(s) of Share Index Sponsor(s)] [Not applicable]*
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

34. **Structure 7** [Applicable] [Not applicable]

(Part 7 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of the Initial Price
- (iii) Barrier B: [] per cent. of the Initial Price
- (iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentages:	Interest Payment Date:	Coupon A Percentage:
	<i>[Insert]</i>	<i>[Insert]</i>
	<i>[Insert]</i>	<i>[Insert]</i>

(vi) Coupon B Percentage: [] per cent.

(vii) Floor Level: []

(viii) Early Redemption Dates: []

(ix) Initial Price Date: []

(x) Initial Price(s): [As set out in the applicable part of Annex 1]

(xi) N: []

(xii) Valuation Dates: []

(xiii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]*

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)

(xiv) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]*

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

(xv) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)] [Not applicable]*

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

35. **Structure 8** [Applicable] [Not applicable]

(Part 8 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*

(ii) Barrier A: [] per cent. of the Initial Price

(iii) Barrier B: [] per cent. of the Initial Price

(iv) Coupon A Percentage ⁽ⁱ⁾ :	Interest Payment Date:	Coupon A Percentage:
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<i>[Insert]</i>	<i>[Insert]</i>
<i>[Insert]</i>	<i>[Insert]</i>

- (v) Coupon B Percentage: [] per cent.
- (vi) Early Redemption Dates: []
- (vii) Initial Price Date: []
- (viii) Initial Price(s): [As set out in the applicable part of Annex 1]
- (ix) N: []
- (x) Valuation Dates: []
- (xi) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]*

(in relation to Single Share Linked Notes and Share Basket Linked Notes only)
- (xii) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]*

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)
- (xiii) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)] [Not applicable]*

(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)

36. **Structure 9** [Applicable] [Not applicable]

(Part 9 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of the Initial Price
- (iii) Barrier B: [] per cent. of the Initial Price
- (iv) Barrier C: [] per cent. of the Initial Price

(v) Coupon A Percentages:	Interest Payment Date:	Coupon A Percentage:
	<i>[Insert]</i>	<i>[Insert]</i>

<i>[Insert]</i>	<i>[Insert]</i>
-----------------	-----------------

- (vi) Coupon B Percentage: [] per cent.
- (vii) Early Redemption Dates: []
- (viii) Initial Price Date: []
- (ix) Initial Price(s): [As set out in the applicable part of Annex 1]
- (x) N: []
- (xi) Strike Price: [] per cent. of the Initial Price
- (xii) Valuation Dates: []
- (xiii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)] [Not applicable]*
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)*
- (xiv) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]*
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
- (xv) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)] [Not applicable]*
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

37. **Structure 10** [Applicable] [Not applicable]

(Part 10 of Annex 1 to Terms and Conditions) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Type of Notes: [Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] *[Delete as applicable]*
- (ii) Barrier A: [] per cent. of the Initial Price
- (iii) Barrier B: [] per cent. of the Initial Price
- (iv) Barrier C: [] per cent. of the Initial Price
- (v) C: []
- (vi) Coupon A Percentage [] per cent
- (vii) Coupon B Percentage: [] per cent.

- (viii) Early Redemption Dates: []
- (ix) Initial Price Date: []
- (x) Initial Price(s): [As set out in the applicable part of Annex 1]
- (xi) N: []
- (xii) Valuation Dates: []
- (xiii) The identity of the relevant issuer(s) of the Share(s), class of the Share(s) and ISIN(s) or other security identification code(s) for the Share(s): *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security identification code for each Share)]* [Not applicable]
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)*
- (xiv) Share Index/Indices: *[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)]* [Not applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*
- (xv) Share Index Sponsor(s): *[Insert name(s) of Share Index Sponsor(s)]* [Not applicable]
- (in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

ADDITIONAL PROVISIONS APPLICABLE TO EQUITY LINKED NOTES ONLY

[Delete all following paragraphs if Equity Linked Note provisions not applicable]

38. Interest Payment Dates: []
39. Interest Period: []
40. Calculation Agent: []
41. Exchange(s): []
42. Exchange Business Day Convention: [Following Business Day Convention] [Modify Following Business Day Convention] *[Delete as applicable]*
43. Related Exchange(s): []
44. Valuation Time: [] [as set out in Annex 1 to Terms and Conditions] *[Delete as applicable]*
45. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
46. Additional Business Centre(s): [Not applicable] *[Specify Additional Business Centre(s)]*

PROVISIONS APPLICABLE TO INFLATION LINKED NOTES

(Annex 2 to Terms and Conditions)

[Delete all following paragraphs if Inflation Linked Note provisions not applicable]

47. Interest Payment Dates: []
48. Interest Period: []
49. Calculation Agent: []
50. (i) Interest Rate: [Inflation Linked interest payment based on a fixed rate of interest] [Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate] [Inflation Linked interest payment plus Margin] [Inflation Linked interest payment plus a Margin subject to a minimum interest rate] [Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate] [Inflation Linked interest payment plus a Margin subject to a maximum interest rate] [Delete as applicable]
- (ii) Fixed Rate of Interest: [] [Not applicable]
- (iii) T:
- | Interest Payment Date | T |
|-----------------------|---------------|
| <i>Insert</i> | <i>Insert</i> |
- (iv) T_{START}:
- | Interest Payment Date | T _{START} : |
|-----------------------|----------------------|
| <i>Insert</i> | <i>Insert</i> |
- (v) Cap: [] [Not applicable]
- (vi) Floor: [] [Not applicable]
- (vii) Margin: [] [Not applicable]
51. (i) Final Redemption Amount: [Inflation-Linked Final Redemption Amount] [Inflation-Linked Final Redemption Amount subject to a minimum of par] [Inflation-Linked Final Redemption Amount subject to a minimum of zero and a maximum of par] [Delete as applicable]
- (ii) T_{FINAL}: []
- (iii) T_{START}: []
52. Inflation Index: []
53. Inflation Index Sponsor: []
54. Related Bond: [Insert name and ISIN or other security identification code of Related Bond] [Not applicable] [Fallback]

- Bond] [*Delete as applicable*]
55. Fallback Bond: [Applicable] [Not applicable]
56. Alternative Delay of Publication Formula: [*Insert formula*] [Not applicable]
57. Inflation Index Level Adjustment: [See details in Section 4 of Annex 2 to Terms and Conditions] [Option (i) as specified in paragraph 6 of Section 2 of Annex 2 to the Terms and Conditions] [Option (ii) as specified in paragraph 6 of Section 2 of Annex 2 to the Terms and Conditions] [*Delete as applicable*]
(Annex 2, Section 2, Paragraph 6 of Terms and Conditions)
58. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [*Delete as applicable*]
59. Additional Business Centre(s): [Not applicable] [*Insert name(s) of Additional Business Centre(s)*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

60. Form of Notes: Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice.] [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/ in the limited circumstances specified in the Permanent Global Note.] [*Delete as applicable*]²
- [Registered Notes: [Restricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC]] [Unrestricted [U.S.] [International] Global Note Certificate registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))]] [*Delete as applicable*].
61. Business Day Jurisdictions for Condition 8(h) or other special provisions relating to Payment Dates: [Not applicable/*Insert Business Day Jurisdictions. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(ii) and 19(vii) relate*]
62. New Global Note Form: [Yes] [No]

² The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in Paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]."

63. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert dates*]
64. 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] []
65. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not applicable] []
66. Consolidation provisions: [Not applicable/The provisions [in Condition 14 (*Further Issues*)] apply]

[DISTRIBUTION]

67. (i) If syndicated, names [and addresses] of Managers [and underwriting commitments]: [Not applicable/give names, [addresses and underwriting commitments]]
 [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers)]
- (ii) Stabilising Manager(s) (if any): [Not applicable/give names]
- (iii) [Date of [Subscription] Agreement:] []
68. If non-syndicated, name [and address] of Dealer: [Not applicable/give name and address]
69. Total commission and concession: [[] per cent. of the Aggregate Nominal Amount]
70. US Selling Restrictions: [Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable]

[PURPOSE OF PRICING SUPPLEMENT]

This Pricing Supplement comprises the pricing supplement required for issue and admission to trading on [*specify relevant market*] of the Notes described herein] pursuant to the EUR 10,000,000,000 Euro Medium Term Note Programme of Santander International Products plc.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement. [(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: _____

By: _____

Duly authorised

Duly authorised

By: _____

By: _____

Duly authorised

Duly authorised

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing [Insert Listing/None]
- (ii) Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*Global Exchange Market/other*]] with effect from []].
 [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*Global Exchange Market/other*] with effect from []]. [Not applicable.] [*Delete as applicable*]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P:]

[Fitch:]

[Moody's:]

[[Other]:]

[Insert full name of legal entity that has given the rating] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Insert full name of legal entity that has given the rating] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended).]

[Insert full name of legal entity that has given the rating] is a third country rating agency that is endorsed by an EU registered agency and [has/has not] applied for registration under Regulation (EC) No 1060/2009 (as amended) but is certified in accordance with such regulation.]

[Insert full name of legal entity that has given the rating] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 (as amended).]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No 1060/2009 (as amended) ("**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Plan of Distribution"] and "General Information", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING**

(i) [Reasons for the offer:] [] *(See ["Use of Proceeds"] wording in Offering Circular- if reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.)*

(ii) [Estimated net proceeds:] []

(iii) [Estimated total expenses:] [] *[Indicate the amount of any expenses and taxes specifically charged to the investor.]*

e Notes are derivative securities to which Annex XII of the Commission Regulation (EC) No. 809/2004 applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[Fixed Rate Notes only – YIELD**

Indication of yield: [].

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes Only - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/LIBID/LIMEAN] rates can be obtained from [Reuters].]

7. **[CMS Linked Notes and Fund Linked Notes Only – HISTORIC RATES**

Details of historic swap rates can be obtained from [Reuters].]

8. **[Inflation Linked Notes, Equity Linked Notes or Other Variable Linked Notes only – PERFORMANCE OF INDEX/FORMULA/FUND/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to insert link or give other indication of where information on past and future performance and volatility of the equity/index/formula/fund/other variable can be obtained [and give a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]. [Where the underlying is an Inflation Index, Share

Index or other index need to include the name of the index and insert a link or give other indication as to where further information of the Inflation Index, Share Index or other index can be found. [Where the underlying is a Share include name of issuer of such Share and ISIN or other relevant identification number and insert link or give other indication of where further information of Share can be found.][Where the underlying is not an index need to include equivalent information including, in the case of Fund Linked Notes, pricing information, name and (if relevant) ISIN of underlying and insert link or give other indication of where further information relating to the underlying can be found].

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

9. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

10. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

CUSIP Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not applicable/[Clearstream Banking AG for our German public offerings]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s) (if any): []

Names and addresses of additional Paying Agent(s) (if any): []

Intended to be held in a manner which would allow Eurosystem eligibility: [Not applicable/Yes/No]

[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,] [include this text for registered notes held under the NSS]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [include this text if "yes" selected in which case the bearer Global Notes must be issued in NGN form/the registered Global Note Certificates must be held under the NSS]

FORM OF NOTES

General

Unless otherwise specified in the Applicable Transaction Terms, the Notes shall be represented initially by one or more global Notes (collectively, the "**Global Notes**"). Registered Notes shall be represented initially by one or more Global Notes in registered form, without Coupons (each, a "**Global Note Certificate**"), which, in the case of U.S. Global Notes (as defined below), shall be registered in the name of DTC, as depositary, or a successor or nominee thereof, and which shall be deposited on behalf of the purchasers thereof with a custodian for DTC. Beneficial interests in the Restricted Global Note Certificates and Unrestricted Global Note Certificates as such terms are defined below shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Purchasers of Notes may elect to hold interests in Restricted Global Note Certificates or, as the case may be, Unrestricted Global Note Certificates through any of DTC (in the United States), Clearstream, Luxembourg or Euroclear if they are participants in such systems or indirectly through organisations which are participants in such systems.

If so specified in the Applicable Transaction, Registered Notes may be represented, in whole or in part, by a Global Note Certificate that is deposited with or on behalf of a common depositary or, in the case of a Global Note Certificate to be held under the New Safekeeping Structure (as defined below), a common safekeeper, for Euroclear and Clearstream, Luxembourg, or a nominee thereof for credit to the respective accounts of beneficial owners of the Notes represented thereby (an "**International Global Note Certificate**"). Beneficial interests in the Restricted International Global Note Certificates and Unrestricted International Global Note Certificates as such terms are defined below shall be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and/or Clearstream, Luxembourg. Purchasers of Notes may elect to hold interests in Restricted International Global Note Certificates or, as the case may be, Unrestricted International Global Note Certificates through any of Euroclear or Clearstream, Luxembourg if they are participants in such systems or indirectly through organisations which are participants in such systems. International Global Note Certificates will be subject to the restrictions and procedures referred to under "International Global Note Certificates" below.

Bearer Notes shall be represented initially by a temporary Global Note in bearer form, without Coupons (a "**Temporary Global Note**"), which shall be deposited with (a) in the case of a global note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Applicable Transaction Terms, with or on behalf of a common depositary located outside the United States for Euroclear and Clearstream, Luxembourg; or (b) in the case of a global note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Applicable Transaction Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Beneficial interests in such Temporary Global Note shall be exchangeable for beneficial interests in a Permanent Global Note, in an equal aggregate principal amount, not earlier than the 40th day after the applicable closing date upon certification of non-U.S. ownership, as set forth in the Programme Manual. Such exchange will be made upon certification to the effect that the holder is (i) a person that is not a United States person, (ii) a United States person that is (A) a foreign branch of a United States financial institution (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(iv)) subscribing for or purchasing for its own account or for resale or (B) a United States person who acquired Notes through a foreign branch of a United States financial institution and who holds the Notes through such financial institution on the date of such certification (and in each case (A) or (B), that the financial institution agrees to comply with the requirements of section 163(j)(3)(A), (B) or (C) of the United States Internal Revenue Code and the United States Treasury Regulations thereunder) or (iii) a financial institution that acquired Notes for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and such financial institution certifies that it has not acquired the Notes for purposes of resale directly or indirectly within the United States or its possessions or to a United States person. A financial institution, whether or not described in (i) or (ii) above, that purchases Notes for purposes of resale during the restricted period, may only give the certification described in (iii) above. Except in the limited circumstances described below or as otherwise set forth in the Applicable Transaction Terms, owners of beneficial interests in the Global Notes shall not be entitled to receive Notes in definitive form. For details of how Notes may be transferred see "Terms and Conditions of the Notes—Condition 2 (*Form, Denomination and Title*)".

In the United States securities market, the presumption is that settlement of all trades of Notes will occur on the basis of the trade date plus three days.

Registered Notes may be evidenced by one or more Global Note Certificates in an aggregate principal amount equal to the principal amount of the Notes of such Series, which shall be exchangeable in the limited circumstances described below for individual Notes, each evidenced by an individual note certificate (collectively, the "**Individual Note Certificates**").

Bearer Notes will initially be issued in the form of a Temporary Global Note, without Coupons, in an initial aggregate principal amount equal to the principal amount of the Notes of such Series not initially sold to U.S. persons, which shall be exchangeable as described below.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Registered Global Note Certificates

General

Unless otherwise specified in the applicable Applicable Transaction Terms, Registered Notes of the same Series will be represented, in whole or in part, by either (i) a Restricted U.S. Global Note Certificate and/or an Unrestricted U.S. Global Note Certificate that is registered in the name of a nominee for DTC and deposited on or about the relevant issue date with the custodian for DTC, for credit to the respective accounts of beneficial owners of the Notes represented thereby (a "**U.S. Global Note**") or (ii) a Restricted International Global Note Certificate and/or an Unrestricted International Global Note Certificate that is either (a) registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depository (in the case of a Certificate that is not to be held under the New Safekeeping Structure), or (b) registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper (in the case of a Certificate that is to be held under the New Safekeeping Structure), in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby (an "**International Registered Global Note**").

U.S. Global Notes and International Registered Global Notes will be sold in reliance on specific registration exemptions of the Securities Act. U.S. Global Notes will be subject to special restrictions and procedures referred to under "U.S. Global Notes" below, and International Registered Global Notes will be subject to special restrictions and procedures referred to under "International Registered Global Notes" below.

U.S. Global Notes

Notes that are sold in reliance on Rule 144A will be represented by a restricted Global Note Certificate (a "**Restricted U.S. Global Note Certificate**"), unless otherwise specified in the Applicable Transaction Terms. A Restricted U.S. Global Note Certificate in the form provided in the Programme Manual (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and will

bear the legend regarding such restrictions described under "*Transfer Restrictions*". Notwithstanding Condition 15 (*Notices*), so long as the Restricted U.S. Global Note Certificate is held on behalf of DTC, notices to Noteholders represented by the Restricted U.S. Global Note Certificate may be given by delivery of the relevant notice to DTC.

Registered Notes that are sold outside the United States in reliance on Regulation S will be represented by an Unrestricted U.S. Global Note Certificate (an "**Unrestricted U.S. Global Note Certificate**"), unless otherwise specified in the Applicable Transaction Terms. On or prior to the 40th day after the later of the commencement of the offering and the date of delivery of the Notes represented by an Unrestricted U.S. Global Note Certificate, a beneficial interest therein may be transferred to a person who takes delivery in the form of an interest in a Restricted U.S. Global Note Certificate of the same Series, but only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Programme Manual) to the effect that such transfer is being made to a person who the transferor reasonably believes is purchasing for its own account or accounts as to which it exercises sole investment discretion and that such person and each such account is a QIB within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirement will no longer apply to such transfers.

Beneficial interests in a Restricted U.S. Global Note Certificate may be transferred to a person who takes delivery in the form(s) of an interest in an Unrestricted U.S. Global Note Certificate of the same Series, whether before, on or after such 40th day, but only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Programme Manual) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 and that, if such transfer occurs on or prior to such 40th day, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg. Any beneficial interest in a U.S. Global Note that is transferred to a person who takes delivery in the form of an interest in another U.S. Global Note of the same Series will, upon transfer, cease to be an interest in the former U.S. Global Note, will become an interest in the latter U.S. Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the latter U.S. Global Note for as long as it remains such an interest.

Notwithstanding Condition 15 (*Notices*), so long as the Unrestricted U.S. Global Note Certificate is held on behalf of DTC, notices to Noteholders represented by the Unrestricted U.S. Global Note Certificate may be given by delivery of the relevant notice to DTC.

Book-Entry System

Upon the issuance of a U.S. Global Note, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such U.S. Global Note to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in a U.S. Global Note will be limited to persons who have accounts with DTC (including Euroclear and Clearstream, Luxembourg), or persons who hold interests through participants. Ownership of beneficial interests in the U.S. Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants), which may include Euroclear and Clearstream, Luxembourg, as described below.

So long as DTC, or its nominee, is the registered holder of a U.S. Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such U.S. Global Note for all purposes under the Agency Agreement and the Notes. Unless DTC notifies the Issuer that it is unwilling or unable to continue as depository for such Note, or ceases to be a "Clearing Agency" registered under the Exchange Act, or an Event of Default has occurred and is continuing with respect to such Note, owners of beneficial interests in such U.S. Global Note will not be entitled to have any portions of such U.S. Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders of such U.S. Global Note (or any Notes represented thereby) under the Agency Agreement or the Notes. If DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by the Issuer within 90 days, the Issuer will (i) issue Restricted Individual Note Certificates in exchange for the relevant Restricted U.S. Global Note Certificate and/or (ii) issue an International Global Note Certificate in exchange for the relevant Unrestricted U.S. Global Note Certificates. In the case of Restricted Individual Note Certificates issued in exchange for Restricted U.S. Global Note Certificates, such Restricted Individual Note Certificates will bear, and be

subject to, the legend described under "Transfer Restrictions". Except in the limited circumstances described in this paragraph, owners of beneficial interests in a U.S. Global Note will not be entitled to receive physical delivery of Individual Note Certificates. In addition, no beneficial owner of an interest in a U.S. Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Agency Agreement and, if applicable, those of Euroclear and Clearstream, Luxembourg).

Investors may hold their interests in an Unrestricted U.S. Global Note Certificate through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organisations which are participants in such systems. Beginning 40 days after the later of the commencement of the offering and the date of delivery of the Notes represented by such Unrestricted U.S. Global Note Certificate (but not earlier), investors may also hold such interests through organisations other than Euroclear and Clearstream, Luxembourg that are participants in the DTC system. Euroclear and Clearstream, Luxembourg will hold interests in an Unrestricted U.S. Global Note Certificate on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC.

Investors may hold their interests in a Restricted U.S. Global Note Certificate directly through DTC, if they are participants in such system, or indirectly through organisations which are participants in such system.

Payments of the principal of and any premium, interest, and other amounts on any U.S. Global Note will be made to DTC or its nominee, as the registered owner thereof. Neither the Issuer, the Guarantor, the Registrar, the Transfer Agent nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a U.S. Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment in respect of a U.S. Global Note held by it or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such U.S. Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in a U.S. Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds. 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 beneficial interests in a U.S. Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a U.S. Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg participants, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be, by its respective depositary; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in any U.S. Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to the depositaries for Euroclear or Clearstream, Luxembourg.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a U.S. Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, Luxembourg, as the case may be) immediately following the DTC settlement date and such credit of any

transactions in interests in a U.S. Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream, Luxembourg participant on such day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a U.S. Global Note by or through a Euroclear or Clearstream, Luxembourg participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of a U.S. Global Note (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account with DTC interests in such U.S. Global Note are credited and only in respect of such portion of the aggregate principal amount of such U.S. Global Note as to which such participant or participants has or have given such direction. However, if there is an Event of Default under a U.S. Global Note, DTC will exchange such U.S. Global Note for legended Notes in definitive form, which it will distribute to its participants.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the U.S. Global Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Guarantor will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

International Registered Global Notes

If so specified in the Applicable Transaction Terms, Registered Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("**Rule 144A Registered Notes**") will initially be represented, in whole or in part, by a global note in registered form without interest coupons attached (the "**Restricted International Global Note Certificate**"). If so specified in the Applicable Transaction Terms, Registered Notes sold to non-U.S. persons outside the United States in reliance on Regulation S ("**Regulation S Registered Notes**") will be represented, in whole or in part, by a global note in registered form without interest coupons attached (an "**Unrestricted International Global Note Certificate**", and together with the Restricted International Global Note Certificate, an "**International Global Note Certificate**"). International Registered Global Note Certificates will be either (i) registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common depository (in the case of a Certificate that is not to be held under the New Safekeeping Structure), or (ii) registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited on or about the relevant issue date with such common safekeeper (in the case of a Certificate that is to be held under the New Safekeeping Structure), in each case for credit to the respective accounts of beneficial owners of the Notes represented thereby.

Investors may hold their interests in an International Registered Global Note through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organisations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold interests in an International Registered Global Note on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories or safekeepers, as applicable.

So long as the common depository, or, in the case of a Certificate to be held under the New Safekeeping Structure, the common safekeeper, or the relevant nominee, is the registered holder of an International

Registered Global Note, the common depository, common safekeeper or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by the relevant International Global Note Certificate for all purposes under the Agency Agreement and such Notes. Holders of beneficial interests in an International Registered Global Note will not be entitled to have any portion of such International Registered Global Note registered in their names, will not receive or be entitled to receive delivery of Individual Note Certificates in exchange for their interests in an International Global Note Certificate and will not be considered the owners or holders of such International Global Note Certificate (or any Notes represented thereby) under the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in an International Registered Global Note will be able to transfer that interest except in accordance with applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Agency Agreement referred to herein).

Payments of the principal of and any premium, interest and other amounts on any International Registered Global Note will be made to the common depository, common safekeeper or its nominee as the registered owner thereof. Neither the Issuer, the Guarantor, the Registrar, the Transfer Agent nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in an International Registered Global Note or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests.

Notwithstanding Condition 15 (*Notices*), so long as an International Registered Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, notices to Noteholders represented by the International Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such other clearing system.

The Issuer expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any such payment in respect of an International Global Note represented by a Certificate held by a common depository, common safekeeper or its nominee, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the International Registered Global Note evidenced by such Certificate as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in an International Registered Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and will be settled in immediately available funds.

International Registered Global Note Certificates will bear a legend to the effect set forth in "Transfer Restrictions". Book-entry interests in International Registered Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Transfer Restrictions".

Transfer of ownership interests in a Rule 144A Registered Note ("**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.

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any ownership interests in a Regulation S Registered Note ("**Unrestricted Book-Entry Interests**") only upon delivery by the transferor of a written certification (in the form provided in the Programme Manual) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act. Prior to 40 days after the date of initial issuance of the notes, ownership of Unrestricted Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A.

Unrestricted Book-Entry Interests may be transferred to a person who takes delivery in the form of Restricted Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Programme Manual) 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 "Transfer Restrictions" and in accordance with any applicable securities laws of any other jurisdiction.

Any book-entry interest in a Registered Note that is transferred to a person who takes delivery in the form of a book-entry interest in the other 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 such other Registered Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Registered Note for as long as it remains such a book-entry interest.

Bearer Notes

Bearer Notes shall initially be issued in the form of a Temporary Global Note, without Coupons, in an initial aggregate principal amount equal to the principal amount of the Notes of such Series not initially sold to U.S. persons, which shall be exchangeable, unless otherwise specified in the Applicable Transaction Terms, (i) for a Permanent Global Note, without Coupons attached (together with Temporary Global Notes, "**Global Bearer Notes**"), which shall in turn be exchangeable (in whole, but not in part) in limited circumstances in the form of Definitive Notes, with or without Coupons attached, or for interests in a Global Note Certificate of such Series, (ii) in whole but not in part, directly for Definitive Notes, with or without Coupons attached, which shall in turn be exchangeable at the option of the Noteholder for interests in a Global Note Certificate of such Series or (iii) directly for interests in a Global Note Certificate. Purchasers in the United States (including its territories, its possessions and other areas subject to its jurisdiction) will not be able to receive Bearer Notes.

The Principal Paying Agent shall deliver each Temporary Global Note executed and authenticated: (1) in the case of a Classic Global Note, to the common depositary; or (2) in the case of a NGN, to the common safekeeper in each case for the benefit of Euroclear and Clearstream, Luxembourg for credit against payment in immediately available funds on the date of settlement to the respective accounts of the holders of the Notes of the Series represented by such Temporary Global Note.

The bearer of a Global Bearer Note will be considered the sole owner and holder of the Notes represented by such Global Bearer Note for all purposes under the Agency Agreement and such Notes. Owners of beneficial interests in a Global Bearer Note will not be considered the owners or holders of such Global Bearer Note (or any Notes represented thereby) under the Agency Agreement or the Notes. In addition, no beneficial owner of an interest in a Global Bearer Note will be able to transfer that interest except in accordance with applicable procedures of Euroclear and Clearstream, Luxembourg (in addition to those under the Agency Agreement referred to herein).

Payments of the principal of and any premium, interest and other amounts on any Global Bearer Note will be made to the bearer thereof. Neither the Issuer, the Guarantor nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Bearer Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that each of Euroclear and Clearstream, Luxembourg, upon receipt of any such payment in respect of a Global Bearer Note held by a common depositary or its nominee or by a common safekeeper, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Bearer Note as shown on the records of Euroclear or Clearstream, Luxembourg, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in a Global Bearer Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

On or after the date (the "**Exchange Date**") which is the earlier of (i) the first Business Day following the expiration of a period of 40 days after the date on which the Notes of such Series were issued and (ii) the first day on which interest, if any, is paid on the Notes of such Series, beneficial interests in the Temporary Global Note of a Series as to which the Principal Paying Agent has received certification as to the non-U.S. beneficial ownership thereof as required by U.S. Treasury regulations and as set forth in the Programme Manual will, upon presentation thereof to or to the order of the Principal Paying Agent, be exchanged (i) for interests in a Permanent Global Note of such Series, (ii) directly for interests in a Global Note Certificate of such Series, or (iii) in whole but not in part, directly for one or more Definitive Notes of the same Series, in

each case pursuant to the procedures set forth in the next sentence, with respect to that portion of such Temporary Global Note; provided, however, that, if Definitive Notes and (if applicable) Coupons have already been issued in exchange for a portion of such Temporary Global Note or for all of the Notes represented for the time being by such Permanent Global Note because Euroclear and/or Clearstream, Luxembourg do not regard the Permanent Global Note to be fungible with such Definitive Notes, then such Temporary Global Note may only thereafter be exchanged for Definitive Notes and (if applicable) Coupons pursuant to the terms of the Agency Agreement and of such Notes. At any time after the Exchange Date, upon 40 days' notice (which may be given at any time prior to, on or after the Exchange Date) to the Principal Paying Agent by Euroclear or Clearstream, Luxembourg, as the case may be, acting at the request of or on behalf of the beneficial owner or owners of a Global Bearer Note, and, in the case of a Temporary Global Note, upon receipt of the certifications required by U.S. Treasury regulations referred to above, and, unless otherwise agreed, upon payment by the Holder of reasonable costs, interests in the Temporary Global Note or Permanent Global Note of a Series may be exchanged, in whole but not in part, for Definitive Notes of such Series with Coupons, if applicable, attached; provided, however, that, if Definitive Notes and (if applicable) Coupons have already been issued in exchange for a portion of such Temporary Global Note or for all of the Notes represented for the time being by such Permanent Global Note because Euroclear and/or Clearstream, Luxembourg do not regard the Permanent Global Note to be fungible with such Definitive Notes, then such Temporary Global Note may only thereafter be exchanged for Definitive Notes and (if applicable) Coupons pursuant to the terms of the Agency Agreement and of such Notes. Any Definitive Note delivered in exchange for a beneficial interest in a Temporary Global Note or Permanent Global Note shall bear substantially the same legends as are set forth on the face of the Temporary or Permanent Global Note for which it was exchanged. No Bearer Note may be delivered nor may any interest be paid on any Bearer Note until the person entitled to receive such Bearer Note or such interest furnishes the certifications required by U.S. Treasury Regulations referred to above.

Upon the conditions set out in the Agency Agreement, Permanent Global Notes and Definitive Notes may be exchanged for the same aggregate principal amount of Individual Note Certificates of the same Series in authorised denominations, or, if so indicated in the Applicable Transaction Terms, for beneficial interests in a Global Note Certificate, at the request in writing of the Holder and, in the case of an exchange of Definitive Notes, upon surrender of such Definitive Notes to be exchanged (together with all unmaturing Coupons, if any, relating to it) to the specified office of the Registrar, its duly authorised agent or any other Transfer Agent. Where, however, a Definitive Note is surrendered for exchange after the Clearing System Business Day before the due date for any payment of interest, or such other record Date as may be applicable, the Coupon in respect of that payment of interest need not be surrendered with it. No holder of any Note may require a Permanent Global Note or Definitive Note to be exchanged for a Registered Note during the period of 30 days ending on the due date for any payment of principal on that Note. Notes issued pursuant to the exchanges described above will be available from the specified office of the Registrar, its duly authorised agent or any other Transfer Agent (including the Transfer Agent located in Luxembourg).

Subject as provided below, until exchanged in full, Global Bearer Notes of a Series shall in all respects be entitled to the same benefits under the Agency Agreement as Definitive Notes of such Series authenticated and delivered thereunder, except that principal of and any premium, interest, additional amounts and other amounts on a Temporary Global Note will not be payable unless a certification, as described herein, is given by the persons appearing in the records of Euroclear or Clearstream, Luxembourg as the owner of the Temporary Global Note or portions thereof being presented for payment, and unless a corresponding certification by Euroclear or Clearstream, Luxembourg shall have been delivered prior to each such date on which such amounts are to be paid.

Each Global Bearer Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Bearer Note. The following is a summary of certain of those provisions:

Notices: Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Temporary Global Note (or by the Temporary Global Note and the Permanent Global Note) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

In relation to the Permanent Global Note only:

Exercise of call option: In connection with an exercise of the option contained in Condition 7(d) (*Redemption at the option of the Issuer and exercise of Issuer's options*) in respect of some but not all of the Notes, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (this shall be recorded in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) or any other clearing system (as the case may be).

Exercise of put option: In order to exercise the option contained in Condition 7(e) (*Redemption at the option of Noteholders and holders' Exercise of Noteholder's options*) the bearer of the Permanent Global Note must give notice to the Principal Paying Agent (via the relevant clearing system) 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 principal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Principal Paying Agent, or to a Paying Agent for notation.

In the case of any Tranche of Notes having a maturity of more than 365 days, the following legend will appear on all Global Bearer Notes and Definitive Notes and any related Coupons or Talons:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in the above legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain realised on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Notwithstanding any other provision herein, Bearer Notes with maturities of one year or less may be issued.

TRANSFER RESTRICTIONS

Each prospective purchaser of Notes offered in reliance on Rule 144A by accepting delivery of this Offering Circular will be deemed to have represented and agreed that such offeree acknowledges that this Offering Circular is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of Notes offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer, (B) is aware that the sale to it is being made in reliance on Rule 144A and (C) is acquiring such Notes for its own account or for the account of a qualified institutional buyer.
- (2) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged, or otherwise transferred only (A) to a person who the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (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 or any other jurisdiction.
- (3) The purchaser understands that Notes of a Series offered in reliance on Rule 144A will be represented by a Restricted Global Note Certificate or, as the case may be, a Restricted International Global Note Certificate. Before any interest in such Restricted Global Note Certificate or, as the case may be, a Restricted International Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate or, as the case may be, a Unrestricted International Global Note Certificate, the seller will be required to provide the Registrar with a written certification as to compliance with the transfer restrictions referred to in clause (2)(B) or (2)(C) above.
- (4) Either (A) the purchaser is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") that is subject to Title I of ERISA, (ii) a "plan" subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (iii) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 the Code, or (iv) a governmental or other benefit plan which is subject to any U.S. federal, state or local law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) her purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law) for which an exemption is not available.

In order to effectuate the foregoing restrictions on resales and other transfers of the Definitive Notes or Individual Note Certificates sold, or issued in exchange for a Note sold pursuant to Rule 144A, if any resale or transfer of a Note is proposed to be made (otherwise than to or through a Dealer or in reliance on Rule 144A or Regulation S), (i) directly by the holder of a Note, or (ii) through the services of a dealer other than a Dealer, the prospective purchaser of the Note, in the case of a resale or transfer of a Note to be made directly by the holder of such note, or such dealer, in the case of a resale or transfer of such Note to be made through such dealer, shall deliver a letter to the Issuer substantially in the form provided in the Programme Manual, appropriately completed. If any resale or transfer of a Note is proposed to be made to a Dealer or in reliance on Rule 144A or Regulation S, either (i) the holder of such Note shall have made the appropriate notation on the transfer notice set forth on such Note or otherwise advised the Principal Paying Agent in writing that it is relying on Rule 144A or Regulation S in connection with such transfer or is transferring

such Note to a Dealer or (ii) the prospective purchaser, its agent or a Dealer shall deliver a letter to the Principal Paying Agent substantially in the form prescribed in the Programme Manual, appropriately completed along with the Note presented for transfer. Inquiries concerning transfers of Notes should be made to any Dealer.

The Restricted U.S. Global Note Certificates will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES.

IF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF CEDE & CO. (OR SUCH OTHER PERSON AS MAY BE NOMINATED BY THE DEPOSITORY TRUST COMPANY ("**DTC**") FOR THE PURPOSE) (COLLECTIVELY, "**CEDE & CO.**") AS NOMINEE FOR DTC, THEN, UNLESS THIS NOTE CERTIFICATE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE CERTIFICATE ISSUED UPON REGISTRATION OF TRANSFER OR EXCHANGE OF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF CEDE & CO. (OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC) AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, CEDE & CO. (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), HAS AN INTEREST HEREIN."

The Restricted International Global Note Certificates will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES.

IF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF A PERSON NOMINATED BY THE COMMON DEPOSITORY OR, AS THE CASE MAY BE, COMMON SAFEKEEPER OF EUROCLEAR BANK S.A./N.V. ("**EUROCLEAR**") AND/OR CLEARSTREAM BANKING, SOCIÉTÉ

ANONYME, LUXEMBOURG ("**CLEARSTREAM, LUXEMBOURG**", AND TOGETHER WITH EUROCLEAR, THE "**INTERNATIONAL CLEARING SYSTEMS**") AS NOMINEE FOR THE INTERNATIONAL CLEARING SYSTEMS, THEN, UNLESS THIS NOTE CERTIFICATE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF SUCH COMMON DEPOSITARY OR, AS THE CASE MAY BE, COMMON SAFEKEEPER TO THE ISSUER OR ITS AGENT FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT AND ANY NOTE CERTIFICATE ISSUED UPON REGISTRATION OF TRANSFER OR EXCHANGE OF THIS NOTE CERTIFICATE IS REGISTERED IN THE NAME OF SUCH NOMINEE (OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE COMMON DEPOSITARY OR, AS THE CASE MAY BE, COMMON SAFEKEEPER) AND ANY PAYMENT HEREUNDER IS MADE TO SUCH NOMINEE (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, SINCE THE REGISTERED OWNER HEREOF, THE RELEVANT NOMINEE (OR, AS THE CASE MAY BE, SUCH OTHER PERSON), HAS AN INTEREST HEREIN."

Restricted Individual Note Certificates issued in exchange for an interest in a Restricted International Global Note Certificate will bear the following legend and be subject to the transfer restrictions set forth therein:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER AND THE GUARANTOR THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES."

The Agency Agreement provides that such legends will not be removed unless the Registrar is advised that the relevant Note is being transferred pursuant to Regulation S or unless there is delivered to the Issuer, the Guarantor and the Registrar satisfactory evidence, which may include an opinion of U.S. counsel, to the effect that neither such legends nor the restrictions on transfer set forth therein are required to ensure that transfers of such Note comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Note is not a "restricted security" within the meaning of Rule 144 under the Securities Act. As a general matter, the legends may be removed from any Note two years after the original issue date thereof, provided that during such two-year period such Note has not been acquired by the Issuer or any affiliate thereof.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used for the general corporate purposes of the Guarantor.

SANTANDER INTERNATIONAL PRODUCTS PUBLIC LIMITED COMPANY

The legal name of the Issuer is Santander International Products plc., registered and incorporated on 25 June 2004 in Ireland under the Irish Companies Acts 1963 - 2009, as a public limited company for an indefinite period with registration number 387937. Santander International Products plc. is a subsidiary of Banco Santander, S.A.

The Registered Office of the Issuer is at 4th Floor, Hanover Building, Windmill Lane, Dublin 2, telephone number: + 353 1 612 32 97.

The authorised share capital of the Issuer is Euro 40,000 divided into 40,000 ordinary shares of Euro 1 each, all of which have been issued and paid up.

The Issuer complies with the corporate governance regime(s) in Ireland.

Major Shareholders

39,994 of the issued ordinary shares of the Issuer are held by the Guarantor and the remaining six shares are held by Hualle, S.A., Banesto Renting, S.A., Dudebasa, S.A., Gescoban Soluciones, S.A., Elerco, S.A. and Merciver, S.L. The Issuer complies with the relevant statutory provisions and safeguards which regulate the relationship between a company and its major shareholder in order to prevent an abuse of control by a major shareholder.

Business

The principal objects of the Issuer are set forth in Clause 3 of its Memorandum of Association and are the issuance of *participaciones preferentes* (preferred securities) and other financial instruments.

Financial instruments issued by the Issuer are quoted on the following markets:

- (a) the Irish Stock Exchange Limited; and
- (b) the Luxembourg Stock Exchange.

At 31 December 2012, the outstanding notional amount of the Notes issued under the EUR 6,000,000,000 Euro-Commercial Paper Programme, guaranteed by Banco Santander, S.A., was EUR 83,867,802.90.

The outstanding notional amount of the Notes issued under the Santander International Products plc. EUR 10,000,000,000 Euro Medium Term Note Programme, guaranteed by Banco Santander, S.A., was, at 31 December 2012, EUR 3,154,204,018.72.

Directors

The Directors of the Issuer are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Adrian Masterson	Director
Wafi Saleh	Director
Antonio Torío Martín	Director
Carmen del Pozo Sainz	Director
Francisco Javier Armada Bravo	Director

The address of Adrian Masterson is 21 Temple Gardens, Dublin 6, Ireland. The business address of the other Directors is C/Mesena 80, 28033 Madrid, Spain.

The Bank of New York Mellon is the administrator of the Issuer. Its duties include the provision of certain administrative and related services including acting as company secretary. The appointment of the administrator may be terminated and the administrator may retire upon 90 days written notice subject to the appointment of an alternative administrator.

The Issuer has established a bank account with the Guarantor.

Conflicts of Interest

There exist no conflicts of interest between the administrative, management and supervisory bodies of the Issuer and there exist no potential conflicts of interest between any duties to the issuing entity of any members of such administrative, management or supervisory bodies and their private interests and/or other duties.

Auditors

The auditors of the Issuer, Deloitte & Touche, are chartered accountants and members of the Institute of Chartered Accountants and registered auditors, qualified to practice in Ireland. As registered auditors, Deloitte & Touche are regulated by the Chartered Accountants Regulatory Board of the Institute of Chartered Accountants in Ireland, whose address is Chartered Accountants House, 47 Pearse Street, Dublin 2, Ireland. The registered office of Deloitte & Touche is Earlsfort Terrace, Dublin 2, Ireland.

BANCO SANTANDER, S.A.

DESCRIPTION OF THE GUARANTOR

INFORMATION TO BE DISCLOSED ABOUT THE GUARANTOR

The guarantor must disclose information about itself as if it were the issuer of that same type of security that is the subject of the guarantee.

1. PERSONS RESPONSIBLE

- 1.1 *All persons responsible for the information given in this Base Prospectus relating to the guarantor and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.*

Banco Santander, S.A. (the "**Guarantor**", the "**Bank**" or "**Banco Santander**") accepts responsibility for the information contained in this Base Prospectus relating to the Guarantor.

Banco Santander is the Guarantor under this Base Prospectus and assumes responsibility for the guarantee.

- 1.2 *A declaration by those responsible for this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the guarantor is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of this Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The Bank confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

- 2.1 *Names and addresses of the guarantor's auditors for the period covered by the historical financial information (together with their membership in a professional body).*

The non-consolidated and consolidated annual financial statements of Banco Santander, S.A. for the years ended 31 December 2012 and 31 December 2011 were audited by the external auditors, Deloitte, S.L. of Plaza Pablo Ruiz Picasso, 1, Madrid, registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

- 2.2 *If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.*

The Bank's auditors have not resigned nor been removed, and were last re-appointed by the Bank on 22 March 2013 to audit the annual financial statements for the financial year ended 31 December 2012.

3. RISK FACTORS

- 3.1 *Prominent disclosure of risk factors that may affect the guarantor's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors" in the Base Prospectus.*

See "Risk Factors" on pages 26-43 of this Base Prospectus.

4. INFORMATION ABOUT THE GUARANTOR

4.1 *History and development of the guarantor.*

4.1.1 *Legal and trading name of the guarantor*

The name of the Bank is Banco Santander, S.A. and it operates under the trading name "Santander".

4.1.2 *The place of registration of the guarantor and its registration number.*

The Bank is registered in the Mercantile Registry of Cantabria in book 83, folio 1, sheet 9, entry 5519, and adapted its Bylaws to conform with current legislation regarding limited liability companies by a document executed in Santander on 8 June 1992 before the Public Notary Mr. José María de Prada Díez, and numbered 1316 in his records, and registered in the Mercantile Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

The current By laws, which have been adapted to the current *Ley de Sociedades de Capital* (**Spanish Corporations Law**), were approved by the shareholders at the General Shareholders' Meeting held on 30 March 2012 and filed with the Office of the Mercantile Registry on 27 August 2012. However, Article 5 of such By-laws, which relates to the current authorised share capital, was last amended by the share increase carried on 2 May 2013.

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully issued and paid up of €5,404,800,290.50 divided into 10,809,600,581 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

The Bank is also registered in the Special Register of Banks and Bankers under code number 0049.

4.1.3 *The date of incorporation and the length of life of the guarantor, except where indefinite.*

The Bank was founded in the city of Santander by notarised document executed on 3 March 1856 before Mr José Dou Martínez, ratified and partially amended by a further document dated 21 March 1857 before the court official of Santander Mr José María Olarán, and commenced trading on 20 August 1857.

The Bank was transformed to a Credit Company (*Sociedad Anónima de Crédito*) by a public deed executed on 14 January 1875 that was recorded with the Mercantile Registry of the Government of the Province of Santander.

The Bank commenced trading at the time of its formation and according to Article 4.1 of the Articles of Association it will remain in existence for an indefinite period.

4.1.4 *The domicile and legal form of the guarantor, the legislation under which the guarantor operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office).*

The Bank is domiciled in Spain and has the legal form of a limited liability company (*Sociedad Anónima*) and its activities are subject to special Spanish legislation governing credit institutions in general and the supervision, control and regulation of the Bank of Spain in particular.

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The headquarters of the Bank are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 289 00 00.

4.1.5 *Any recent events particular to the guarantor which are to a material extent relevant to the evaluation of the guarantor's solvency.*

Participation in SAREB

On 13 December 2012, Banco Santander announced that it has signed, together with the Fund for Orderly Bank Restructuring ("FROB"), CaixaBank, Banco Sabadell, Banco Popular and Kutxabank,

an investment agreement in the Management Company of assets from Restructuring Banking Corporation ("SAREB"). On 17 December 2012 other credit institutions and a group of private insurers were incorporated as additional shareholders through the subscription and payment of a capital increase in SAREB. As at the date of this Base Prospectus, Santander Group has invested in SAREB €805.6 million (corresponding 25% to equity and 75% to subordinated debt). Regarding such investment, the Santander Group has already invested an amount of €207.4 million through capital and an amount of €598.2 million in subordinated debentures. No additional payment from Santander Group is expected.

Merger by absorption of Banco Español de Crédito, S.A. ("Banesto") and Banco Banif

On 17 December 2012, we announced that we had resolved to approve the plan for the merger by absorption of Banesto and Banco Banif, S.A. as part of the restructuring of the Spanish financial sector. This transaction is part of a commercial integration which will bring Banesto and Banif under the Santander brand.

After the end of the reporting period, at their respective board of directors meetings held on 9 January 2013, the directors of the Bank and Banco Español de Crédito, S.A. (Banesto) approved the common draft terms of the merger by absorption of Banesto into the Bank with the dissolution without liquidation of the former and the transfer en bloc of all its assets and liabilities to the Bank, which will acquire, by universal succession, the rights and obligations of the absorbed entity. As a result of the merger, the shareholders of Banesto, other than those forming part of the Group, will receive in exchange shares of the Bank.

The ratio at which shares of Banesto will be exchanged for shares of the Bank, which was determined based on the fair value of their assets and liabilities, will be 0.633 shares of the Bank, of €0.5 par value each, for each share of Banesto, of €0.79 par value each, without provision for any additional cash payment.

The 1 January 2013 was established as the date from which the transactions of Banesto would be considered to have been performed for accounting purposes for the account of the Bank.

After the end of reporting period, the directors of Banco Banif, S.A., at its board of directors meeting held on 28 January 2013, and the directors of Banco Santander, S.A., at its board of directors meeting held on that same day, approved the common drafts terms of the merger by absorption of Banco Banif, S.A. into Banco Santander, S.A. with the dissolution without liquidation of the former and the transfer en bloc of all its assets and liabilities to Banco Santander, S.A., which will acquire, by universal succession, the rights and obligations of the absorbed entity.

The proposed plan of merger was approved by the shareholders of Banesto at the ordinary and extraordinary general meeting held on 21 March 2013 and by the shareholders of Banco Santander, S.A. at the ordinary general meeting held on 22 March 2013.

On the 3rd of May, 2013, the public deed formalizing the merger by absorption of Banesto by Santander has been registered with the Commercial Registry of Cantabria, and consequently, Banesto has disappeared. Besides, on the 7th of May, 2013, the public deed formalizing the merger by absorption of Banco Banif, S.A., Unipersonal by Santander has been registered with the Commercial Registry of Cantabria, and consequently, Banco Banif, S.A., Unipersonal has disappeared.

Dividends for the 2012 financial year

The frequency on which the Bank pays a dividend to its shareholders is usually quarterly. In respect of the 2010, 2011 and 2012 financial years the Bank has paid approximately €0.60 per share. The Bank has a shareholders remuneration programme named *Santander Dividendo Elección* through which the shareholder can choose the way to receive the dividend in cash or in shares.

In respect of the 2013 financial year, the Bank is applying the programme *Santander Dividendo Elección* to the payment of the first dividend (which will take place in August). This programme is also expected to apply to the second and third dividends of this year. With regards to the complementary dividend, the Board of Directors of the Bank intends to also apply such programme, subject to the approval of the shareholders general meeting.

Provisions of real estate assets Decree – Law 18/2012

The regulatory changes introduced by Royal Decree-Law 2/2012 on reorganization of the financial sector and Royal Decree-Law 18/2012 on reorganization and sale of real estate assets of the financial sector, included, among others, the following requirements:

- To increase the minimum percentages of provisions to be applied on the financing to the Spanish real estate sector and also on the assets received as payment for debts originated on such sector.
- To increase the minimum equity level required to the Spanish financial entities according to the Spanish real estate assets that each entity had in its balance sheet on 31 December 2012.

The consequence of these requirements was the need of an additional provision of approximately €6,800 million, €1,800 million out of which were provisioned on 2011. At the end of 2012 the Bank had already complied with all the provisions required by these Royal Decree-Laws.

On 24 March 2013, Royal Decree-Law 6/2013 came into force. Its main objective regarding hybrid instruments dealing and subordinated debt is:

- To monitor any potential claim from clients to the financial entities participated by the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (“FROB”) based on the sale of these complex products, and to facilitate quick mechanisms to solve discrepancies, mainly through arbitration proceedings. The creation, composition and procedural regulations of the Commission for the monitoring of hybrid capital instruments and subordinated debt, is regulated. This collegiate Commission is attached to the Ministry of Economy and Competitiveness through the State Secretary for Economy and Support to the Companies.
- To exceptionally offer liquidity to the shares to be received by the holders of these instruments. With this purpose, the competences of the Fund for Guaranteeing Deposits (*Fondo de Garantía de Depósitos*) are widened and the Fund is granted the legal capability to create market instruments which permit a liquidity alternative for these shares, and to acquire at market prices the unlisted shares which result on the binding exchanges of hybrid capital instruments and subordinated debt of this holders.

The Bank does not forecast significant consequences on its annual financial statements deriving from the application of the abovementioned Royal Decree-Laws.

On 30 April 2013, the Bank of Spain sent a letter to the Spanish financial entities informing them about the new rules set up by the Executive Commission of the Bank of Spain. These rules are considered references for the compliance of Circular 4/2004 in relation to the refinancing and restructuring procedures.

Following the implementation of these rules, the entities shall start to individually review the accounting classification of the refinanced and restructured portfolios in order to guarantee their correct compliance. The results will be communicated to the Inspection Services of Bank of Spain prior to 30 September 2013. The Bank is currently analyzing the impact of these rules.

Invitations to tender American Securities and European Securities for purchase

American Securities: on 6 March 2013, Banco Santander, S.A. announced an invitation to all holders of callable subordinated notes series 22 issued by Santander Issuances, S.A. Unipersonal (the American Securities) to tender such Securities for purchase (the Invitation). The American Securities are listed in the London Stock Exchange. The total principal amount of the American Securities comprising the Invitation amounts to approximately USD 257,500,000.

Banco Santander announced on 14 March 2013 the final aggregate principal amount accepted for purchase (USD 26,600,000).

European Securities: on 6 March 2013, Banco Santander, S.A. announced an invitation to all holders of certain securities issued by Santander Issuances, S.A. Unipersonal and Santander Perpetual, S.A. Unipersonal (the European Securities) to tender such Securities for purchase (the Invitation). The European Securities are subordinated and perpetual bonds listed in the Luxembourg Stock Exchange, corresponding to 15 different series. The total principal amount of the series comprising the Invitation amounts to approximately €6,575 million and GBP 2,243 million.

Banco Santander announced on 14 March 2013 the final aggregate principal amount accepted for purchase (approximately €140.219 million and GBP 178.86 million).

The Invitation is being undertaken as a part of the Group's active management of liabilities and capital, and is focused on core capital generation as well as the optimisation of the future interest expense. The Invitation is also designed to provide liquidity in the market and to offer the holders of the American Securities the possibility to exit their investment in the American Securities.

Santander Consumer USA Inc. admission to trading

On 5 July 2013 the Bank informed that Santander Consumer USA Inc. had initiated the relevant procedures in order to obtain the relevant authorization from the US Securities and Exchange Commission to trade its shares and to make a public offer. Public offerings are not permitted until the SEC authorization is granted.

The final decision on the public offer has not been already taken. Therefore neither the date nor the number of shares (if any) have been determined yet.

Metrovacesa, S.A. public offering

On 16 May 2013 the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*) informed about the positive result of the Metrovacesa public offering, by delisting, instructed by Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Popular Español, S.A. and Banco Santander, S.A. over 100% of the capital, excluding the immobilized shares which represent 97.29% of that capital. The public offer was accepted by 42,356,398 shares, which represent 97.29% of the shares to which the public offer was addressed to and 4.29% of Metrovacesa capital.

Santander Group participation in the public offer represented 45.56%. The Santander Group acquired 19,297,677 additional Metrovacesa shares in exchange of €44 million.

Insurance business in Spain. Aegon agreement.

Two insurance companies one participated by Aegon with a 51% of its capital and the other participated by Santander Group with a 49% of its capital have been incorporated. Aegon and Santander Group will share the management responsibility of both insurance companies. An agreement with Aegon was closed on June 2013 for the distribution of insurance products in Spain for a period of 25 years. This agreement does not affect the health, vehicle and savings insurances which continue to be managed by Santander.

Bank Zachodni WBK placement in the market

On 22 March 2013, Santander Group announced that Banco Santander and KBC Bank had completed the placement of 19,978,913 shares of BZ WBK at a final price of 245 zlotys per share, amounting to a total of €1,171 million. Santander sold 4,852,949 shares, equal to 5.2% of BZ WBK's capital, for €285 million, while KBC obtained €887 million for its 16.17% stake in BZ WBK.

The placement of these shares enabled Banco Santander to meet its commitment to the Polish regulator that the free float of the Polish unit would be at least 30% by the end of 2014. Moreover, the transaction has allowed KBC to divest the stake in BZ WBK it had obtained as a result of the merger of its Polish subsidiary, Kredyt Bank, with Banco Santander's unit, BZ WBK. The remaining 70% of the capital will be held by Santander, the controlling shareholder.

This transaction values BZ WBK's total share capital at €5.48 million. This valuation means that the investment made by Banco Santander in April, 2011, in BZ WBK has risen in value by 18%, taking into account the initial investment plus dividends received during the intervening two years. The impact of this transaction on the equity of the Group is not material.

Agreement with Elavon Financial Services Limited

On 19 October 2012 Banco Santander, S.A. announced that it has reached an agreement with Elavon Financial Services Limited to jointly develop in Spain the business on payment services through point of sale terminals for credit and debit cards.

A company, participated by Elavon (51%) and Santander (45%), to which Santander Group transferred its payment business in Spain (excluding Banesto) has been incorporated for this transaction. The transaction has been closed on the first semester of 2013.

The agreement values the transferred business in €165.8 million and has originated a net extraordinary result of €85 million.

Santander reaches agreement with Warburg Pincus and General Atlantic to grow its Global Asset Management Business

On May 30th, 2013, it was announced that Santander has entered into a definitive agreement with affiliates of leading global private equity firms Warburg Pincus and General Atlantic to boost the global growth of its asset management unit, Santander Asset Management (SAM). Under the agreement, which is conditioned upon regulatory and corporate approvals, Warburg Pincus and General Atlantic will jointly hold a 50% stake in a holding company that will integrate SAM's eleven asset management companies in the countries in which it operates, primarily in Europe and Latin America. The remaining 50% will be owned by Santander Group. The transaction is expected to improve SAM's ability to compete with the leading international independent asset managers and is also expected to double its business volume in five years. The transaction, which is scheduled to be closed prior to the end of 2013, values SAM at EUR 2.047 billion and will generate a net capital gain for the Santander Group of EUR 700 million.

5. BUSINESS OVERVIEW

5.1 *Principal activities.*

5.1.1 *A brief description of the guarantor's principal activities stating the main categories of products sold and/or services performed.*

Business Overview

At 31 December 2012, the Group had a market capitalisation of €63.0 billion, stockholders' equity of €74.65 billion and total assets of €1,269.6 billion. The Group had an additional €118.1 billion in mutual funds, pension funds and other assets under management at that date. As of 31 December 2012, the Group had 58,074 employees and 6,437 branch offices in Continental Europe, 26,186 employees and 1,189 branches in the United Kingdom, 90,576 employees and 6,044 branches in Latin America, 9,525 employees and 722 branches in the United States and 2,402 employees in other geographic regions.

The Group is a financial group operating principally in Spain, the United Kingdom, other European countries, Brazil and other Latin American countries and the United States, offering a wide range of financial products.

In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Mexico, Peru, Puerto Rico and Uruguay.

Grupo Santander maintained in 2012 the general criteria used in 2011, with the following exceptions:

- The geographic areas of Continental Europe, the U.K. and Latin America are maintained and one for the U.S. is created which includes Sovereign Bank and Santander Consumer

USA, which exits Continental Europe (and, within this area, Santander Consumer Finance in which it was integrated). As a result, the segment reporting figures for 2011 and 2010 have been restated in order to facilitate their comparison with the figures for 2012.

- The consumer business in the U.K. has been consolidated into Santander UK and exits Continental Europe (and, within this area, Santander Consumer Finance in which it was integrated). The figures for 2011 and 2010 have been restated.
- The annual adjustment was made to the Global customer relationship Model and resulted in a net increase of 36 new clients. This does not mean any changes in the principal (geographic) segments, but it does affect the figures for retail Banking and Global Wholesale Banking. The figures for 2011 and 2010 have been restated.

None of these changes was significant for the Group as a whole.

The financial statements of each business area have been drawn up by aggregating the Group's basic operating units. The information relates to both the accounting data of the companies in each area as well as that provided by the management information systems. In all cases, the same general principles as those used in the Group are applied.

In accordance with the criteria established by the IFRS-IASB, the structure of the operating business areas has been segmented into two levels:

First (or geographic) Level.

The activity of the Group's operating units is segmented by geographical areas. This coincides with the Group's first level of management and reflects its positioning in the world's main currency areas. The reported segments are:

- **Continental Europe.** This covers all retail banking business (including Banif, the specialised private bank), wholesale banking and asset management and insurance conducted in this region. This segment includes the following units: the Santander Branch network, Banesto, Santander Consumer Finance, Portugal and BZ WBK.
- **United Kingdom.** This includes retail and wholesale banking, asset management and insurance conducted by the various units and branches of the Group in the country.
- **Latin America.** This embraces all the Group's financial activities conducted via the subsidiary banks and subsidiaries. It also includes the specialised units of Santander private Banking, as an independent and globally managed unit, and New York's business.
- **United States.** Includes the businesses of Sovereign Bank and Santander Consumer USA (consolidated by the equity accounted method).

Second (or business) Level.

This segments the activity of the Group's operating units by type of business. The reported segments are:

- **Retail Banking.** This area covers all customer banking businesses, including private banking (except those of Corporate Banking, managed through the Global Customer Relationship Model).
- **Global Wholesale Banking.** This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both trading and distribution to customers (always after the appropriate distribution with Retail Banking Customers), as well as equities business.
- **Asset Management and Insurance.** This includes the Group's units that design and manage mutual and pension funds and insurance.

In addition to these operating units, which cover everything by geographic area and business, the Group continues to maintain a separate Corporate Activities area. This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position and of the parent Bank's structural interest rate risk, as well as management of liquidity and of stockholders' equity through issues and securitisations. As the Group's holding entity, it manages all capital and reserves and allocations of capital and liquidity. It also incorporates amortisation of goodwill but not the costs related to the Group's central services except for corporate and institutional expenses related to the Group's functioning.

In 2012 the consumer credit business relating to the United Kingdom was incorporated in the United Kingdom and that relating to the United States was incorporated in the US, in both cases after an exit from Continental Europe. As a result, the segment reporting figures for 2011 and 2010 have been recalculated in order to facilitate their comparison with the figures for 2012

In 2012, Santander Group maintains the same primary and secondary operating segments as it had in 2011.

For purposes of our financial statements and this annual report on Form 20-F, we have calculated the results of operations of the various units of the Group listed below using these criteria. As a result, the data set forth herein may not coincide with the data published independently by each unit individually.

First level (or geographic).

Continental Europe

This area covers the banking activities of the different networks and specialised units in Europe, principally with individual clients and Small and Medium Enterprises ("**SMEs**"), as well as private and public institutions. During 2012, there were five main units within this area: the Santander Branch Network, Banesto, Santander Consumer Finance, Portugal and BZ WBK which was incorporated in April 2011, including (including Banif, the specialised private bank), wholesale banking and asset management and insurance conducted in this region. Santander Consumer USA exits this geographical area as part of Santander Consumer Finance and incorporated to United States. Furthermore, the consumer business in the UK has been incorporated into Santander UK and exits Continental Europe (and within it, Santander Consumer Finance in which it was integrated).

Continental Europe is the largest business area of Santander Group by assets. At the end of 2012, it accounted for 37.8% of total customer funds under management, 39.8% of total loans and credits and 26.8% of profit attributed to the Parent bank of the Group's main business areas.

The area had 6,437 branches and 58,074 employees (direct and assigned) at the end of 2012.

In 2012, this segment obtained attributable profit of €2,305 million, an increase of 0.8% on the previous year, heavily affected by the booking of 17.0% higher loan-loss provisions than 2011. Return on equity ("**ROE**") in 2012 was 7.4%, as compared to 7.7% in 2011.

The Santander Branch Network

The retail banking activity in Spain is carried out mainly through the branch network Santander, with support from an increasing number of automated cash dispensers, savings books updaters, telephone banking services, electronic and internet banking.

At the end of 2012, the Santander Branch Network had 2,894 branches and a total of 17,880 employees (direct and assigned), of which 10 were hired on a temporary basis, dedicated to retail banking in Spain. Compared to 2011, there was a net decrease of 21 branches and 824 employees.

In 2012, profit attributable to the Parent bank from the Santander Branch Network was €790 million, 7.4% more than in 2011, while the ROE reached 11.0% (as compared to 9.6% in 2011). This increase was mainly due by an increase in net interest income of 10.2% and cost control which remained flat +0.1% in 2012. The increase in operating income was partially offset by an increase in credit loss provision of 7.8% due to higher non-performing loans ("**NPL**"). In line with the Group's policy, these provisions do not include those derived from implementing royal decree laws 2 and 18

of 2012 to lift coverage of real estate exposure, which were recorded by the area of corporate activities. The corporate activities area manages the Group's entire exposure to the property development and construction industry in Spain (including loans and non-current assets held for sale) which are no longer considered attributable to the segment that gave rise to it. This area reports to Group senior management. These results were obtained in a still difficult environment, with insufficient signs of an economic recovery, strong competition for liquidity and low demand for loans.

These results were obtained in a still difficult environment which was characterised by contractions of GDP, domestic demand and consumption, rising unemployment rates, interest rates that fell to all-time lows, with the consequent impact on spreads, and non-performing loans reaching record highs. All combined with strong progress in the process of restructuring the Spanish financial system.

In 2012, the Santander Branch Network lending decreased by approximately 7.3%, customer funds under management increased by 18.4%, deposits rose 21.7%, mutual funds fell 11.2% and pension funds increased 3.9%. The activity reflected the scant demand for loans and a strategy which focused on customer funds in order to gain market share and narrow the commercial. The ratio of NPL for Santander Branch Network and Banco Santander, S.A. grew to 9.65% and 7.29%, from 8.5% and 6.0%, in 2011, respectively, as a result of the weak situation in Spain.

Banesto

At the end of 2012, Banesto had 1,647 branches and 9,136 employees (direct and assigned), of which 53 employees were temporary, a decrease of 67 branches and 412 employees as compared to the end of 2011.

In 2012, profit attributable to the Parent bank from Banesto was €94 million, a 28.1% decrease from 2011, while the ROE reached 2.0% as compared to 2.8% in 2011. These results were produced in a very complicated scenario of recession, low business volumes and interest rates and the system's NPLs reaching historic highs.

The balance sheet management and the improved customer spread to a large extent offset the impact of the decrease in business activity and the low interest rates, making it possible to increase the net interest income by 7.6% to €1,454 million. Higher credit loss provisions which amounted to €943 million in 2012, compared with €661million in 2011, offset the increase in net interest income.

At the end of 2012, the balance of loans was 10.4% lower than a year earlier, deposits decreased 4.9%, customer funds under management diminished by 7.5%, mutual funds fell 7.0% and pension funds increased 1.6%. Spain's recession is pushing up NPL entries, largely in the real estate sector, although the recoveries and sale of portfolios are containing the rise in the balance of bad loans. At the end of 2012 the NPL ratio was 6.28% compared to 5.0% in 2011.

As explained in point 4.1.5 “*Merger by absorption of Banco Español de Crédito, S.A. (“Banesto”) and Banco Banif*”, on 3 May, 2013, the Public Deed formalizing the merger by absorption of Banesto by Santander has been registered with the Commercial Registry of Cantabria, and consequently, Banesto has disappeared.

Santander Consumer Finance

The Group's consumer financing activities are conducted through the Group's subsidiary Santander Consumer Finance and its group of companies. Most of the activity of Santander Consumer Finance relates to auto financing, personal loans, credit cards, insurance, and customer deposits. These consumer financing activities are mainly focused on Germany, Spain, Italy, Norway, Poland, Finland and Sweden. The Group also conducts business in Portugal, Austria and the Netherlands, among others. Santander Consumer USA and the consumer business in the UK has been incorporated to the United States and Santander UK segments, respectively, and exited SCF in which it were integrated.

At the end of 2012, this unit had 629 branches (as compared to 647 at the end of 2011) and 12,279 employees (direct and assigned) (as compared to 15,610 employees at the end of 2011), of which 1,292 employees were temporary.

In 2012, this unit generated €727 million in profit attributable to the Parent Bank, a 9.0% increase from 2011, while the ROE reached 6.7% (as compared to 7% in 2011). The increase in profit attributable to the Parent bank is mainly explained by an 11.7% decrease in credit loss provisions due to improved credit quality.

Customer loans stood still at €57 billion, deposits decreased 3.9%, and customer funds under management fell by 1.8%. The NPL ratio improved for the third year running and ended 2012 at 3.90% (3.97% in 2011).

Portugal

The Group's main Portuguese retail and investment banking operations are conducted by Banco Santander Totta, S.A. ("**Santander Totta**").

At the end of 2012, Santander Totta operated 667 branches (as compared to 716 branches at the end of 2011) and had 5,709 employees (direct and assigned) (as compared to 6,091 employees at the end of 2011), of which 158 employees were temporary.

In 2012, profit attributable to the Parent bank was €124 million, a 28.7% decrease from 2011, due to the impact of the contraction of activity in Portugal and the strengthening of the credit loss provisions. Before provisions the net operating income was up by 20.4%. There was a 90.5% rise in credit loss provisions due to the increase in non-performing loans as a result of the economic cycle that was partially offset by the high gains obtained on financial assets and liabilities.

At year end 2012 the NPL ratio stood at 6.56% compared to a 4.1% a year earlier. The ROE was 4.9%, as compared to 7.0% in 2011.

Business is still affected by the adjustment plan and the restructuring of the Portuguese banking system agreed with international institutions. In this very difficult economic and financial environment, Santander Totta has focused on strengthening its balance sheet. Lending reflected the deterioration of economic conditions and dropped 8.6% to €25,960 million. Deposits increased 2.2%, customer funds under management declined 4.2%, mutual funds decreased 17.3% and pension funds increased 3.5%.

Retail Poland ("Bank Zachodni WBK")

On 1 April 2011, the Group completed the acquisition of 96% of BZ WBK along with the 50% of BZ WBK Asset Management. The BZ WBK Group is now integrated into Santander Group, consolidating its results and business as of the second quarter of 2011. In February 2012 Banco Santander, S.A. and KBC Bank NV (KBC) reached an investment agreement for the merger of their subsidiaries in Poland, Bank Zachodni WBK S.A. and Kredyt Bank S.A., which was put into effect in early 2013, after the necessary approval was received from the Polish financial supervisor (KNF).

At the end of 2012, this unit had 519 branches (as compared to 526 at the end of 2011) and 8,849 employees (direct and assigned) (as compared to 9,383 employees at the end of 2011), of which 641 employees were temporary.

BZ WBK posted profit attributable to the Parent in its first consolidated year of €330 million, 42.0% more than in 2011 when it consolidated three quarters. On a like-for-like basis (considering four quarters in both 2011 and 2012) growth was 21.1% due to higher revenues and lower costs which comfortably absorb the increase in provisions. The ROE stood at 19.0% an increase of 1.04 percentage points from 17.9% in 2011.

Others

The other businesses of Continental Europe (Global Banking and Markets, asset management, insurance and Banif) obtained attributable profit of €321 million in 2012, which was 24.2% less than in 2011, with the performance of the global businesses very affected by the economic situation.

United Kingdom

In 2012 the consumer business in the UK has been incorporated into Santander UK segment and exits Continental Europe.

As of 31 December 2012, the United Kingdom accounted for 32.1% for the total customer funds under management, of the Group's operation areas. Furthermore it also accounted for 34.9% of total loans and credits and 13.7% of profit attributed to the Parent bank of the Group's main business areas.

Santander UK remained firmly focused on the UK, around 85% of customer assets consist of prime UK residential mortgages. The mortgage portfolio is of a good quality, with no exposure to self-certified or subprime mortgages and buy to let loans around 1% of assets.

At the end of 2012, we had 1,189 branches and a total of 26,186 employees (direct and assigned) of which 1,580 employees were temporary, in the United Kingdom. Compared to 2011, there was a net decrease of 190 branches and 109 employees.

In 2012, Santander UK contributed €1,175 million profit attributable to the Parent bank (a 3.9% decrease from 2011). ROE was 8.2% (as compared to 9.6% in 2011). This was mainly due to low interest rates and the higher cost of funds, together with the maturity of interest rate hedges made in previous years. Credit loss provisions were 31.5% higher than in 2011, and slowed down in the second half of the year.

The NPL ratio at the end of 2012 increased to 2.1% from 1.8% at the end of 2011. Loans and advances to customers decreased by 2.0% and customer funds under management decreased 0.5% during the same period.

Latin America

At 31 December 2012, the Group had 6,044 offices and 90,576 employees (direct and assigned) in Latin America (as compared to 6,046 offices and 91,887 employees, respectively, at 31 December 2011), of which 1,867 were temporary employees. At that date, Latin America accounted for 25.6% of the total customer funds under management, 19.5% of total loans and credits and 50.6% of profit attributed to the Parent bank of the Group's main business areas.

Profit attributable to the Parent bank from Latin America was €4,305 million in 2012, a 7.7% decrease from 2011, while the ROE reached 19.4% (as compared to 21.8% in 2011).

The Group's Latin American banking business is principally conducted by the following banking subsidiaries:

	Percentage held at 31 December 2012
Banco Santander (Brasil), S.A.....	75.21
Banco Santander Chile	67.01
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.11
Banco Santander Río, S.A. (Argentina)	99.30
Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Puerto Rico	100.00
Banco Santander Perú, S.A.	100.00

The Group engages in a full range of retail banking activities in Latin America, although the range of its activities varies from country to country. The Group seeks to take advantage of whatever particular business opportunities local conditions present.

The Group's significant position in Latin America is attributable to the Group's financial strength, high degree of diversification (by countries, businesses, products, etc.), and the breadth and depth of the Group's franchise.

Profit attributable to the Parent obtained in Latin America by Santander Group in 2012 was €4,305 million, a decrease of 7.7%. Excluding the effect of the changes in the scope of consolidation (the sale in Colombia, the sale of insurance and the increase of non-controlling interests in Brazil, Mexico and Chile), profit attributable to the Parent would have risen by 3.7%.

Detailed below are the performance highlights of the main Latin American countries in which the Group operates³:

Brazil. Santander Brazil is one of the third largest private sector bank in terms of assets, and the leading foreign bank, with a market share of 10% in loans. At the end of 2012, the institution had 3,788 branches, 53,707 employees and 27.3 million customers.

The following variations are in local currency. During 2012, total loans rose 6%, mainly backed by growth in the retail segment. Particularly noteworthy was lending to individuals and SMEs and companies, which grew by around 12% and 14%, respectively. Deposits excluding repos rose 3%. Letras financieras, an instrument that gives greater stability to the capturing of funds, increased 27%. Total deposits and letras combined were 6% higher.

Profit attributable to the Parent bank from Brazil in 2012 was €2,212 million, a 15.2% decrease as compared to 2011 (-8.8% in local currency). Net interest income grew soundly by 6.4% (14.5% in local currency). This, however, did not feed through to profits mainly because of higher credit loss provisions which increased 35.9% (due to the growth in lending and the rise in NPLs) and the increase in non-controlling interests. ROE was 17.9% (as compared to 23.2% in 2011). The NPLs ratio stood at 6.86% (5.38% in December 2011).

Mexico. Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander, is one of the leading financial services companies in Mexico. Santander is the third largest banking group in Mexico by business volume, with a market share in loans of 13.9% and 13.7% in deposits. As of 31 December 2012, we had a network of 1,170 branches, 13,954 employees and 10 million customers in Mexico. Banco Santander Mexico went to the international markets in November for the first time with a \$1 billion senior bond issue, the largest, with the longest maturity (10 years) and the lowest funding cost of a Mexican bank in the country's history.

In 2012, lending rose 12.1%, mainly due to growth in consumer credit and mortgage loans. In addition, bank savings increased 15.3% and customer funds under management up by 15.1%.

Profit attributable to the Parent bank from Mexico in 2012 increased 8.5% to €1,015 million (6.2% in local currency). Disregarding non-controlling interests, that were affected by the sale of 24.9% of the capital in September 2012, there was a 12.2% increase in net profit. The growth was founded on net interest income and net commissions which more than covered the rising in costs. The number of branches for Select customers was doubled to over 70 specialised branches to serve the high income segment. There is also an expansion plan for 200 branches over the next three years in order to strengthen the distribution network and take advantage of the growth expected in the market.

For 2012, ROE was 25.1% (as compared to 21.2% in 2011) and at the end of 2012, the NPL ratio slightly increased by 12 percentage points to 1.9% and the NPL coverage ratio was 157%.

Chile. Banco Santander Chile is the principal component of the largest financial group in Chile in terms of assets. As of 31 December 2012, we had 504 branches, 12,355 employees and more than 3.5 million customers and market shares of 19.1% in loans and 16.5% in savings.

In 2012, and in local currency, savings rose 3%, with deposits excluding repos growing 6% (demand deposits: +10% and time deposits: +4%), while mutual funds declined 11%. Customer

³ When we indicate "variations in local currency", we calculate the variation of the balance sheet data in the currency of the country that is being described, eliminating the effect of exchange rates from the local currency to euros.

loans increased 9%, with credit cards up 12%, commercial credit 11%, consumer credit 4% and mortgages 3%.

Profit attributable to the Parent bank from Chile decreased 18.5% in 2012 to €498 million (a 24.2% decrease as compared to 2011 in local currency). On a like-for-like basis, excluding the effect of the change in the scope of consolidation as a result of the placement made at the end of 2011, the reduction in local currency was 9.9% and was heavily impacted by the credit loss provisions. For 2012 the ROE was 22.1% the NPL ratio increased to 5.2% compared to 3.9% in 2011 and the NPL coverage ratio was 57.7%

Argentina. Santander Río is one of the country's leading banks, with market shares of 8.6% in lending and 9.3% in savings. It has 370 branches, 6,805 employees and 2.4 million customers.

During the year, lending (+27%) continued to grow strongly. Demand deposits rose 19%, time deposits increased 30% and mutual funds were up by 7%, all variations in local currency.

Profit attributable to the Parent bank was €329 million, 14.5% higher (16.1% in local currency). At the end of 2012, the ROE was 45.4%, NPL ratio was 1.7% and the NPL coverage ratio was 143%.

Uruguay. Santander is the largest private sector bank in the country in terms of the number of branches (84) and business (market share of 18.2% in lending and 15.6% in deposits). As of 31 December 2012, we had 1,217 employees and 266,000 customers.

Profit attributable to the Parent bank was €47 million in 2012, 134.8% higher than in 2011 (a 127.9% increase in local currency) following the purchase of Creditel and the NPL ratio was 0.88% as of 31 December 2012.

Puerto Rico. As of 31 December 2012, Banco Santander Puerto Rico, S.A. had 118 branches, 1,654 employees and 526,000 million banking customers.

Profit attributable to the Parent bank from Puerto Rico in 2012 was €57 million, a 69.4% increase as compared to 2011 (a 56.4% increase in dollars). At the end of 2011, the NPL ratio stood at 7.1% and the NPL coverage ratio was 62%.

Peru. As of 31 December 2012, Banco Santander Perú, S.A. had 1 branch and 60 employees. The unit's activity is focused on companies and on Group's global customers. At the end of 2012, and together with a front rank international partner with wide experience in Latin America, we began to operate a new entity specialised in auto finance that will work with all producers and dealers in the country.

Profit attributable to the Parent bank from Peru was €16 million in 2012, 48.8 % higher than in 2011 (a 31.7 % increase in local currency).

United States

The perimeter of Santander US corresponds to Santander Holdings USA (SHUSA), a bank holding company with two distinct lines of business: retail banking, via its subsidiary Sovereign Bank, and consumer finance business through its stake in Santander Consumer USA Inc. (SCUSA).

Sovereign Bank, with 722 branches, 2,268 ATMs and more than 1.7 million customer-households, at 31 December 2012, is developing a business model focused on retail customers and companies. At that date, United States had 9,525 employees (direct and assigned), of which 5 were temporary. United States accounted for 4.5% of the total customer funds under management, 5.8% of total loans and credits and 9.4% of profit attributed to the Parent bank of the Group's main business areas.

Santander US obtained attributable profit of €811 million in 2012, which was 19.7% less than in 2011 (25.8% less in local currency). For 2012, ROE was 15.5% and the NPL ratio was 2.3%, which represents a 9.2 and 0.6 percentage points reduction from 2011. At 31 December 2011, SCUSA increased its capital by admitting new shareholders, with the result that the Santander Group stake in the company went from 91.5% to approximately 65%. In addition, the earnings were affected by the impact in the third quarter of the charge booked for Trust Piers due to the settlement reached in court to remunerate an investment at a higher rate of interest than it was earning.

At Sovereign Bank the profit attributable to the Parent bank in 2012 was €470 million as compared to €526 million a year earlier. The decrease was mainly due to a 36.0% reduction in total income, which reflects the fall in long-term interest rates, the reduction in the non-strategic portfolio and the increased regulatory pressure. In addition, an extraordinary charge was booked after the Trust Piers settlement. Lastly, a strong reduction of impairment losses on financial assets, due to a further reduction in the non-performing loans, partially offset the above mentioned impacts.

At SCUSA, in a consolidated level, the contribution to the Group was \$436 million, lower than in 2011 for two reasons: the reduction in the stake to 65%, around \$50 million each quarter, and the use of loan-loss provisions in the first quarter of 2011, due to a better than expected evolution of the portfolios acquired at the time of the purchase. Excluding these factors, the contribution was similar to that of 2011.

Second or Business Level

Retail Banking

Profit attributable to the Parent bank of the retail banking sector in 2012 was 7.6% lower as compared to 2011 at €6,385 million. This reduction was mainly due to higher loan-loss provisions and the impact of higher minority interests on Latin American units. In comparison with 2011, the performance of earnings was affected by a 6 percentage point negative impact due to the change in the scope of consolidation (equity-method accounting of SCUSA and insurance in Latin America, and increased non-controlling interests). The effect of interest rate variations was near zero.

Retail Banking generated 87.8% of the operating areas' total income and 74.3% of profit attributable to the Parent bank. This segment had 176,714 employees as of 31 December 2012, of which 4,360 were temporary.

The performance by geographic areas reflects the varying economic environments, with lower growth in developed economies and a better macroeconomic environment in emerging countries.

- The attributable profit of retail banking in Continental Europe rose (+1.7%). This increase is the result of positive evolution of income thanks to the resilience of revenues in the current phase of the cycle (favoured by the incorporation of BZ WBK in Poland and SEB's business in Germany) and control of costs.
- Attributable profit in retail banking in UK was (10.8% lower in sterling), largely due to lower net interest income (higher cost of funding and low interest rates).
- Retail Banking in Latin America (constant currency) provided the best performance in total income with more stabilised costs. After considering higher loan-loss provisions, profit before tax increased 0.7%. The higher impact of minority interests following the sale of shares in the banks in Brazil, Mexico and Chile reduced attributable profit by 4.5%.
- Retail Banking earnings in the US were (26.5% lower in dollars), determined by the lower amount recorded by the equity accounted method, reflecting the reduced stake in SCUSA and the one-off at Sovereign Bank.

Global Private Banking includes institutions that specialise in financial advisory and asset management for high-income clients (mainly Banif in Spain, and Santander Private Banking in the United Kingdom, Italy and Latin America), as well as the units of domestic private banking in Portugal and Latin America, jointly managed with local retail banks. Attributable profit was €209 million, very similar to that registered in 2011 (+0.7%).

Global Wholesale Banking

This area covers the Group's corporate banking, treasury and investment banking activities throughout the world.

This segment, managed by Santander Global Banking & Markets, contributed 10.1% of the operating areas' total income and 21.2% of profit attributable to the Parent Bank in 2012. Profit attributable to the Parent bank in 2012 by Global Wholesale Banking was flat with a variation of -0.7%, when compared to 2011, at €1,827 million. After a good start, the year experienced significant levels of volatility and uncertainty in the face of the worsening euro zone crisis. This conditioned business activity to a large extent. This segment had 5,890 employees as of 31 December 2012, of which 2 were temporary.

Santander Global Banking & Markets maintained the main drivers of its business model: client-focused, global reach of the division and interconnection with local units. At the strategic level, the area focused on strengthening the results of its client franchise and maintaining active management of risk, capital and liquidity. This management intensified in the second part of the year, with an adjustment of exposures and limits by sectors and clients.

The division continued to accompany the Group in its international development in Poland and the northeast of the US in order to capture the revenues synergies derived from the new units and manage the commercial flows of current and potential clients where the Group has strong retail units.

Santander is present in global transaction banking (which includes cash management, trade finance and basic financing), in corporate finance (comprising mergers and acquisitions and asset and capital structuring), in credit markets (which include origination activities, risk management, distribution of structured products and debt), in rates (comprised of structuring and trading activities in financial markets of interest rate and exchange rate instruments) and in global equities (activities relating to the equity markets).

Asset Management and Insurance

This segment comprises all of the Group's companies whose activity is the management of mutual and pension funds and insurance. At 31 December 2012, this segment accounted for 1.9% of total income and 4.5% of profit attributable to the Parent bank. Profit attributable to the Parent bank by Asset Management and Insurance was €383 million in 2012 or 11.5% lower than in 2011. This segment had 1,756 employees at the end of 2012, of which 21 were temporary.

In July an agreement was reached with Abbey Life Insurance Ltd., a subsidiary of Deutsche Bank AG, to reinsure all of the individual life risk portfolio of the insurance companies in Spain and Portugal. This transaction generated estimated extraordinary gross results of €435 million.

In December, Santander agreed a strategic alliance with the insurer Aegon to boost its bancassurance business in Spain through commercial networks. The operation valued Santander's insurance business in the transaction at €431 million. The agreement does not affect savings, auto and health insurance, which Santander continues to manage.

Asset Management

Santander Asset Management obtained profit attributable to the Parent bank of €69 million, a 2.9% increase as compared to 2011. This was mainly due to a decline in income partially offset by reduction in costs and lower needs for provisions.

The total volume of managed funds was €153,700 million, 11% more than at the end of 2011. This includes the incorporation of the insurance mandate of the Group in Spain in the fourth quarter (-1% without it). Of this, around €99,000 million were mutual and pension funds, €8,000 million in client portfolios other than mutual funds included institutional mandates and €46,000 million of management mandates on behalf of other Group units.

Insurance

Santander insurance posted an profit attributable to the Parent of €314 million, 14.1% less than in 2011. Results were impacted by the sale of 51% of the insurers in Latin America and by the reinsurance agreement of its life portfolio in Spain and Portugal, which reduced their contribution by €131 million. Eliminating these effects, profit was 19.0% higher.

Insurance business generated for the Group total revenues (including fee income paid to the commercial networks) of €2,784 million (-4.1%). on a like-for-like basis, revenues were 2.3% higher. the total results for the Group (income before taxes of insurers and brokers plus fee income received by the networks) amounted to €2,653 million (-3.7%), although on a like-for-like basis they increased 3.0%.

Corporate Activities

At the end of 2012, this area had 2,402 employees (direct and assigned) of which 9 were temporary. At the end of 2011, this area had 2,333 employees, of which 901 were temporary.

This area is responsible for, on the one hand, a series of centralised activities to manage the structural risks of the Group and of the Parent bank. It executes the necessary activities for managing interest rates, exposure to exchange-rate movements and the required levels of liquidity in the Group. On the other hand, it acts as the Group's holding entity, managing the Group's global capital as well as that of each of the business units.

The Corporate Activities area had a loss of €6,391 million in 2012, a 66.7% increase as compared to 2011. This area assumed the provisions derived from implementing royal decree laws 2 and 18 of 2012 to lift coverage of real estate exposure. Results include property writedowns in Spain of €4,110 million net of taxes and capital gains of €983 million net of taxes.

After deducting the net figure for capital gains and writedowns, the area sustained a loss of €3,263 million compared to a loss of €2,163 million in 2011. This variation was mainly due to the decrease in income as a result of the liquidity buffer and the higher cost of funding, the decrease in the share of results of entities accounted for using the equity method (due to Metrovacesa) and the increase in writedowns, which included the amortisation of goodwill in Italy, the writedown of the value of real estate investment fund and the results from real estate asset management.

With respect to the area's activities:

- **Interest rate management** is conducted on a coordinated basis by all the units, but this business only registers the part relative to the balance sheet of the Parent bank, via the ALCO portfolios (at the volume levels and duration considered optimum at each moment).
- **Management of the exposure to exchange-rate movements**, both from investments in the shareholders' equity of units in currencies other than the euro as well as from the results generated for the Group by each of the units, also in various currencies, is also conducted on a centralised basis. This management (dynamic) is carried out by exchange-rate derivative instruments, minimising at each moment the financial cost of hedging.
- **Management of structural liquidity** aims to finance the Group's recurrent activity in optimum conditions of maturity and cost. The decisions whether to go to the wholesale markets to capture funds and cover stable and permanent liquidity needs, the type of instrument used, the maturity date structure and management of the associated risks of interest rates and exchange rates of the various financing sources, are also conducted on a centralised basis.
- **The Financial management unit** uses financial derivatives to cover the interest rate and exchange rate risks from new issuances. The net impact of this hedging is recorded in the gains/losses on financial transactions in corporate activities. The financial management area also analyzes the strategies for structural management of credit risk, aiming to reduce concentrations by sectors, which naturally occur as a result of commercial activity. Derivative transactions achieve an effect similar to selling some assets and acquiring others enabling the Group to diversify the credit portfolio as a whole.

In addition, the area of Corporate Activities acts as the Group's holding entity. It manages all capital and reserves and allocations of capital to each of the business units as well as provides liquidity that some of the business units might need (mainly the Santander Branch Network and corporate in Spain). The price at which these operations are carried out is the market rate (Euribor

or swap without liquidity premium for their duration) for each of the maturities of repricing operations.

Lastly, the **equity stakes** that the Group takes within its policy of optimising investments is reflected in corporate activities.

The condensed balance sheets and income statements of the various **geographical segments** as at and for the years ended 31 December 2012 and 2011 are as follows:

(Condensed) balance sheet	Millions of euro						
	2012						
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Intra-Group eliminations	Total
Loans and advances to customers	285,146	250,527	140,090	41,331	3,388	-	720,482
Financial assets held for trading (excluding loans and advances)	87,451	38,177	28,403	275	4,606	-	158,912
Available-for-sale financial assets	21,595	6,718	23,499	14,791	25,663	-	92,266
Loans and advances to credit institutions	54,889	18,123	25,799	714	45,752	(71,377)	73,900
Non-current assets	5,857	2,561	4,490	560	3,828	-	17,296
Other asset accounts	51,735	43,620	46,753	5,265	154,312	(94,913)	206,772
Total assets / liabilities	506,673	359,726	269,034	62,936	237,549	(166,290)	1,269,628
Customer deposits	258,691	194,452	134,765	38,116	615	-	626,639
Marketable debt securities	37,049	73,919	28,107	820	66,074	-	205,969
Subordinated liabilities	293	5,534	5,733	1,986	4,692	-	18,238
Liabilities under insurance contracts	1,425	-	-	-	-	-	1,425
Deposits from central banks and credit institutions	85,297	29,253	32,089	14,214	63,490	(71,377)	152,966
Other liability accounts	92,636	43,416	47,931	2,621	22,989	(24,891)	184,702
Equity (share capital + reserves)	31,282	13,152	20,409	5,179	79,689	(70,022)	79,689
Other customer funds under management	43,391	13,919	60,831	-	-	-	118,141
Investment funds	27,079	13,919	48,178	-	-	-	89,176
Pension funds	10,076	-	-	-	-	-	10,076
Assets under management	6,236	-	12,653	-	-	-	18,889
Customer funds under management	339,424	287,823	229,437	40,922	71,381	-	968,987

(Condensed) balance sheet	Millions of euro*						
	2011*						
	Continental Europe	United Kingdom	Latin America	Sovereign	Corporate activities	Intra-Group eliminations	Total
Loans and advances to customers	315,082	252,154	139,867	40,194	2,803	-	750,100
Financial assets held for trading (excluding loans and advances)	78,802	41,441	31,705	271	7,727	-	159,946
Available-for-sale financial assets	24,640	55	26,186	12,435	23,297	-	86,613
Loans and advances to credit institutions	51,638	19,672	19,181	677	59,583	(99,025)	51,726
Non-current assets	5,045	2,288	4,312	480	4,715	-	16,840
Other asset accounts	28,586	39,833	53,594	3,643	138,783	(78,138)	186,301
Total assets / liabilities	503,793	355,443	274,845	57,700	236,908	(177,163)	1,251,526
Customer deposits	247,582	194,318	134,078	36,884	19,671	-	632,533
Marketable debt securities	39,709	70,505	23,253	1,653	62,252	-	197,372
Subordinated liabilities	965	8,260	6,015	2,275	5,477	-	22,992
Liabilities under insurance contracts	517	-	-	-	-	-	517
Deposits from central banks and credit institutions	88,143	31,178	46,813	9,934	66,094	(99,025)	143,137
Other liability accounts	96,088	38,330	45,170	2,412	6,299	(10,439)	177,860
Equity (share capital + reserves)	30,789	12,852	19,516	4,542	77,115	(67,699)	77,115
Other customer funds under management	45,809	15,744	69,902	1	-	-	131,456
Investment funds	31,038	15,744	55,829	-	-	-	102,611
Pension funds	9,645	-	-	-	-	-	9,645
Assets under management	5,126	-	14,073	1	-	-	19,200
Savings insurance	334,064	288,826	233,248	40,812	87,403	-	984,353
Customer funds under management	503,793	355,443	274,845	57,700	236,908	(177,163)	1,251,526

* The figures for 2011 have been recalculated in order to facilitate their comparison with the figures for 2012.

(Condensed) income statement	Millions of euro					
	2012					
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Total
NET INTEREST INCOME	9,470	3,559	17,881	1,695	(2,458)	30,147
Dividends	289	1	60	20	53	423
Share of results of entities accounted for using the equity method	27	(5)	183	341	(119)	427
Net fee and commission income/(expense)	3,626	1,238	5,097	378	(31)	10,308
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	461	1,231	1,071	244	133	3,140
Other operating income/(expenses)	(17)	22	(357)	(74)	534	108
GROSS INCOME	13,856	6,046	23,935	2,604	(1,888)	44,553
General administrative expenses	(5,640)	(2,356)	(8,198)	(1,029)	(705)	(17,928)
Staff costs	(3,496)	(1,475)	(4,617)	(566)	(169)	(10,323)
Other general administrative expenses	(2,144)	(881)	(3,581)	(463)	(536)	(7,605)
Depreciation and amortisation charge	(662)	(385)	(865)	(145)	(132)	(2,189)
Provisions (net)	(38)	(522)	(1,027)	(170)	135	(1,622)
Impairment losses	(4,127)	(1,246)	(7,381)	(265)	(5,887)	(18,906)
PROFIT (LOSS) FROM OPERATIONS	3,389	1,537	6,464	995	(8,477)	3,908
Impairment losses on non-financial assets	(131)	-	(17)	(24)	(336)	(508)
Other income and charges	(153)	(1)	226	8	69	149
PROFIT (LOSS) BEFORE TAX	3,105	1,536	6,673	979	(8,744)	3,549
Income tax	(736)	(361)	(1,502)	(168)	2,192	(575)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES	2,369	1,175	5,171	811	(6,552)	2,974
Loss from discontinued operations	(7)	-	-	-	-	(7)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	2,362	1,175	5,171	811	(6,552)	2,967
Attributable to non-controlling interests	57	-	866	-	(161)	762
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	2,305	1,175	4,305	811	(6,391)	2,205

(Condensed) income statement	Millions of euro*					
	2011					
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Total
NET INTEREST INCOME	8,875	4,356	16,473	3,289	(2,172)	30,821
Dividends	264	1	71	1	57	394
Share of results of entities accounted for using the equity method	14	1	37	-	5	57
Net fee and commission income (expense)	3,774	1,079	4,992	643	(16)	10,472
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	232	405	1,067	192	420	2,316
Other operating income/(expenses)	119	25	(199)	(56)	129	18
GROSS INCOME	13,278	5,867	22,441	4,069	(1,577)	44,078
General administrative expenses	(5,660)	(2,243)	(7,983)	(1,162)	(733)	(17,781)
Staff costs	(3,531)	(1,415)	(4,455)	(640)	(285)	(10,326)
Other general administrative expenses	(2,129)	(828)	(3,528)	(522)	(448)	(7,455)
Depreciation and amortisation charge	(600)	(352)	(926)	(126)	(105)	(2,109)
Provisions (net)	(142)	(964)	(1,232)	(43)	(220)	(2,601)
Impairment losses	(3,528)	(634)	(5,447)	(1,005)	(1,254)	(11,868)
PROFIT (LOSS) FROM OPERATIONS	3,348	1,674	6,853	1,733	(3,889)	9,719
Impairment losses on non-financial assets	53	-	(38)	(118)	(1,414)	(1,517)
Other income and charges	(303)	(3)	241	-	(198)	(263)
PROFIT (LOSS) BEFORE TAX	3,098	1,671	7,056	1,615	(5,501)	7,939
Income tax	(718)	(448)	(1,653)	(557)	1,600	(1,776)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES	2,380	1,223	5,403	1,058	(3,901)	6,163
Loss from discontinued operations	(24)	-	-	-	-	(24)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	2,356	1,223	5,403	1,058	(3,901)	6,139
Attributable to non-controlling interests	69	-	739	48	(68)	788
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	2,287	1,223	4,664	1,010	(3,833)	5,351

* Presented for comparison purposes only

The following table sets out the detail of revenue by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under "Interest and similar income", "Income from equity instruments", "Fee and commission income", "Gains/losses on financial assets and liabilities (net)" and "Other operating income" in the accompanying consolidated income statements for 2012 and 2011:

Segment	Revenue (millions of euro)					
	Revenue from external customers		Inter-segment revenue		Total revenue	
	2012	2011	2012	2011	2012	2011
Continental Europe	27,012	30,585	893	565	27,905	31,150
United Kingdom	12,582	10,674	72	176	12,654	10,850
Latin America	37,287	40,046	200	(176)	37,487	39,870
Sovereign	3,004	2,865	(23)	(40)	2,981	2,825
Corporate activities	2,411	717	4,462	2,400	6,873	3,117
Inter-segment revenue adjustments and eliminations	-	-	(5,604)	(2,925)	(5,604)	(2,925)
	82,296	84,887	-	-	82,296	84,887

At the secondary level of segment reporting, the Group is structured into Commercial Banking, Global Wholesale Banking and Asset Management and Insurance. The sum of these three segments is equal to that of the three primary operating geographical segments. Total figures for the Group are obtained by adding to the business segments the data for the corporate activities segment. At this level of segment reporting, the condensed income statements and other significant data by Business segments are as follows:

(Condensed) income statement	Millions of euro									
	2012					2011*				
	Commercial banking	Global wholesale banking	Asset management and insurance	Corporate activities	Total	Commercial banking	Global wholesale banking	Asset management and insurance	Corporate activities	Total
NET INTEREST INCOME	29,986	2,501	118	(2,458)	30,147	30,319	2,416	258	(2,172)	30,821
Income from equity instruments	121	249	-	53	423	95	242	-	57	394
Share of results of entities accounted for using the equity method	399	-	147	(119)	427	23	-	29	5	57
Net fee and commission income (expense)	8,804	1,162	373	(31)	10,308	8,929	1,149	410	(16)	10,472
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	2,215	785	7	133	3,140	1,103	788	5	420	2,316
Other operating income/(expenses)	(655)	7	222	534	108	(556)	12	433	129	18
GROSS INCOME	40,870	4,704	867	(1,888)	44,553	39,913	4,607	1,135	(1,577)	44,078
General administrative expenses	(15,494)	(1,455)	(274)	(705)	(17,928)	(15,242)	(1,488)	(318)	(733)	(17,781)
Staff costs	(9,055)	(943)	(156)	(169)	(10,323)	(8,877)	(987)	(177)	(285)	(10,326)
Other general administrative expenses	(6,439)	(512)	(118)	(536)	(7,605)	(6,365)	(501)	(141)	(448)	(7,455)
Depreciation and amortisation charge	(1,867)	(155)	(35)	(132)	(2,189)	(1,827)	(134)	(43)	(105)	(2,109)
Provisions (net)	(1,718)	(25)	(14)	135	(1,622)	(2,321)	(14)	(46)	(220)	(2,601)
Impairment losses	(12,756)	(262)	(1)	(5,887)	(18,906)	(10,469)	(144)	(1)	(1,254)	(11,868)
PROFIT (LOSS) FROM OPERATIONS	9,035	2,807	543	(8,477)	3,908	10,054	2,827	727	(3,889)	9,719
Net impairment losses on non-financial assets	(147)	(25)	-	(336)	(508)	(82)	(21)	-	(1,414)	(1,517)
Other non-financial gains/(losses)	71	2	7	69	149	(56)	-	(9)	(198)	(263)
PROFIT (LOSS) BEFORE TAX	8,959	2,784	550	(8,744)	3,549	9,916	2,806	718	(5,501)	7,939
Income tax	(1,869)	(750)	(148)	2,192	(575)	(2,392)	(753)	(231)	1,600	(1,776)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES	7,090	2,034	402	(6,552)	2,974	7,524	2,053	487	(3,901)	6,163
Loss from discontinued operations	(7)	-	-	-	(7)	(24)	-	-	-	(24)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	7,083	2,034	402	(6,552)	2,967	7,500	2,053	487	(3,901)	6,139
Attributable to non-controlling interests	697	207	19	(161)	762	591	214	51	(68)	788
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	6,386	1,827	383	(6,391)	2,205	6,909	1,839	436	(3,833)	5,351

5.1.2 An indication of any significant new products and/or activities.

Significant New Products and/or Activities

New Products and/or Activities

Corporate marketing committee

The corporate marketing committee ("CCC") is the Group's decision-making body regarding the approval and monitoring of products and services. Chaired by the Group's general secretary, it is

composed of representatives of the following divisions: risk, financial management, technology and operations, general secretary's division, the controller's unit, internal audit, commercial banking, Santander Global Banking & Markets, private banking, asset management and insurance.

The CCC pays particular attention to the suitability of the product or service for the environment in which it is to be marketed, placing particular emphasis on ensuring that:

- each product or service is sold by competent sales personnel;
- customers are furnished with the required appropriate information;
- the product or service fits the customer's risk profile;
- each product or service is assigned to the appropriate market, not only from a legal or tax standpoint, but also with regard to the financial culture of that market; and
- the product or service meets the requirements of the corporate marketing policies and, in general, the applicable internal or external regulations.

Also, local marketing committees are created at local level to channel proposals for the approval of new products to the CCC after issuing a favourable opinion, since initially they do not have any delegated powers- and to approve products that are not new and the related marketing campaigns.

In their respective approval processes the marketing committees' actions are guided by a risk-based approach, from the view point of both the Bank and the customer.

The CCC held 44 meetings in 2012 (42 in 2011 and 46 in 2010) at which incidents were resolved and information analysed on the monitoring of products and services, at both the local level as well as the Group's units abroad.

Global consultative committee

The global consultative committee ("**GCC**") is the advisory body of the corporate marketing committee and consists of area representatives who provide an insight into risks, regulation and markets. The GCC, which meets on an estimated quarterly basis, may recommend the review of products affected by market changes, impaired solvency (country, sectors or companies) or changes in the Group's market perception at medium and long term. The GCC held three meetings in 2012 (3 in 2011, and 3 in 2010).

Corporate monitoring committee

Since 2009 the corporate monitoring committee ("**GCS**") has met on a weekly basis to monitor products. Chaired by the general secretary, it involves the participation of internal audit, legal advisory, compliance, customer care and the business areas concerned (with the ongoing representation of the commercial network). GCS meetings raise and resolve specific issues relating to the marketing of products and services.

Corporate reputational risk management office

The purpose of the reputational risk management office, which forms part of the corporate compliance and reputational risk area, is to provide the relevant governing bodies with the information required to enable them: (i) to conduct an appropriate analysis of risk in the approval phase, with a twofold focus: impact on the Bank and impact on customers; and (ii) to monitor products over their life cycle.

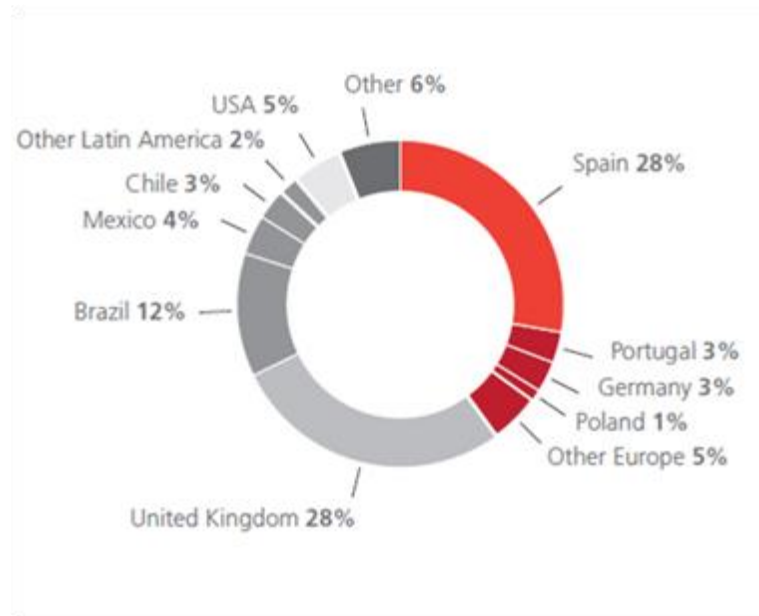
At a local level, the Group creates the corresponding reputational risk management offices, which are responsible for promoting corporate culture and for ensuring that products are approved and monitored in the respective local spheres in keeping with corporate guidelines.

During 2012, the committee met 14 times (19 times during 2011, and 21 times during 2010) and analysed 140 new products/services. The corporate office of reputational risk was presented with 61 products/services considered not new for approval and resolved 171 consultations from areas and countries. The products approved by the corporate office of reputational risk management were successive issues of products that had been previously approved by the CCC or the local marketing committees, after being given this power.

5.1.3 ***Principal Markets: A brief description of the principal markets in which the Guarantor competes***

The Group has a geographic diversification balanced between mature and emerging markets. The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the UK, Brazil, Mexico, Chile, Argentina and the US. The global areas also develop products that are distributed in the Group's commercial networks and tend to global sphere clients.

The following chart illustrates the Group's attributable profit broken down by operative geographical areas for the 2012 financial year:



5.1.4 ***The basis for any statements made by the Guarantor regarding its competitive position***

Not applicable.

6. **ORGANISATIONAL STRUCTURE**

6.1 ***If the guarantor is part of a group, a brief description of the group and of the guarantor's position within it.***

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2012 of 740 companies that consolidate by the global integration method. In addition, there are 131 companies that are accounted for by the equity method.

The Guarantor is not dependent upon any other entity within the Group.

6.2 ***If the guarantor is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.***

The Guarantor is not dependent upon any other entity in the Group.

7. **TREND INFORMATION**

7.1 ***Include a statement that there has been no material adverse change in the prospects of the guarantor since the date of its last published audited financial statements. In the event that the guarantor is unable to make such a statement, provide details of this material adverse change.***

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole since 31 December 2012.

7.2 ***Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the guarantor's prospects for at least the current financial year.***

The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that we expect will increase the overall level of regulation in the markets.

The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Group or that would cause the disclosed financial information not to be indicative of our future operating results or our financial condition:

- a continued downturn in the Spanish and the United Kingdom real estate markets, and a corresponding increase in mortgage defaults, which could impact our NPL and decrease consumer confidence and disposable income;
- uncertainties relating to economic growth expectations and interest rates cycles, especially in the United States, Spain, the United Kingdom, other European countries and Latin America, and the impact they may have over the yield curve and exchange rates;
- the continued effect of the global economic slowdown on Europe and the US and fluctuations in local interest and exchange rates;
- continued changes in the macroeconomic environment, such as sustained unemployment above historical levels, could further deteriorate the quality of our customers' credit;
- increases in our cost of funding, partially as a result of the fragility of the Spanish, Portuguese, Irish and Greek economies, could adversely affect our net interest margin as a consequence of timing differences in the repricing of our assets and liabilities;
- the effects of withdrawal of significant monetary and fiscal stimulus programs and uncertainty over government responses to growing public deficits;
- continued instability and volatility in the financial markets;
- a drop in the value of the euro relative to the US dollar, the sterling pound or Latin American currencies;
- inflationary pressures, particularly in Latin America, because of the effect they may have in relation to increases of interest rates and decreases of growth;
- increased consolidation of the global financial services sector, which could further reduce our spreads;

- although it is foreseeable that entry barriers to domestic markets in Europe will eventually be lowered, our possible plans of expansion into other markets could be affected by regulatory requirements of the national authorities of these countries;
- acquisitions or restructurings of businesses that do not perform in accordance with our expectations or that subject us to previously unknown risks;
- increased regulation, government intervention and new laws prompted by the financial crisis which could change our industry and require us to modify our businesses or operations; and
- the risk of further reductions in liquidity and increases of credit spreads as a consequence of the crisis in the financial markets, which could affect not only our cost of funding but also the value of our proprietary portfolios and our assets under management.

8. PROFIT FORECASTS OR ESTIMATES

If a guarantor chooses to include a profit forecast or a profit estimate this Base Prospectus must contain the information items 9.1 and 9.2.

The Guarantor has not included a profit forecast or profit estimate in this Base Prospectus.

- 8.1 *A statement setting out the principal assumptions upon which the guarantor has based its forecast, or estimate.*

Not applicable.

- 8.2 *A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the guarantor.*

Not applicable.

- 8.3 *The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.*

Not applicable.

9. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

- 9.1 *Names, business addresses and functions in the guarantor of the following persons, and an indication of the principal activities performed by them outside the guarantor where these are significant with respect to the guarantor:*

- (a) *members of the administrative, management or supervisory bodies;*
- (b) *partners with unlimited liability, in the case of a limited partnership with a share capital.*

The Bylaws of the Guarantor (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14.

The Board of Directors of the Guarantor is presently made up of 16 directors.

The following table displays the composition, position and structure of the Board of Directors and its Committees.

For this sole purpose, the business address of each of the persons listed below is: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid.

Board of directors	Executive committee	Risk committee	Audit and compliance committee	Appointments and remuneration committee	International committee	Technology, productivity and quality committee	Executive	External
Chairman Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	C				C	C		
First Deputy Chairman Mr. Fernando de Asúa Álvarez (2)		V		C				I
Second Deputy Chairman Mr. Matías Rodríguez Inciarte		C						
Third Deputy Chairman Mr. Guillermo de la Dehesa Romero (2)			C					I
Chief Executive Officer Mr. Javier Marín Romano								
Members								
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea								
Mr. Javier Botín-Sanz de Sautuola y O'Shea (1)								P
Lord Burns (Terence)								E
Mr. Vittorio Corbo Lioi								E
Mr. Rodrigo Echenique Gordillo								I
Ms. Esther Giménez-Salinas i Colomer								I
Mr. Ángel Jado Becerro de Bengoa								I
Mr. Abel Matutes Juan (2)								I
Mr. Juan Rodríguez Inciarte								
Ms. Isabel Tocino Biscarolasaga								I
Mr. Juan Miguel Villar Mir								I
General Secretary and of the Board								
Mr. Ignacio Benjumea Cabeza de Vaca (2) (3)								

C: Chairman, V: Vice Chairman, P: Proprietary, I: Independent; E: External, neither proprietary nor independent.

- (1) External proprietary director who represents in the board of directors the capital stock corresponding to the Marcelino Botín Foundation, Bafimar, S.L., Cronje, S.L., Puente San Miguel, S.A., Inversiones Zúlu, S.L. Latimer Inversiones, S.L., Jardín Histórico Puente San Miguel, S.A., Nueva Azil, S.L., Leugim Bridge, S.L., Apecaño, S.L., Bright Sky 2012, S.L., Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea, Ms. Carmen Botín-Sanz de Sautuola y O'Shea, Ms. Paloma Botín-Sanz de Sautuola y O'Shea, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Mr. Jorge Botín-Sanz de Sautuola Ríos, Mr. Francisco Javier Botín-Sanz de Sautuola Ríos, Ms. Marta Botín-Sanz de Sautuola Ríos and his own.
- (2) The members of the audit and compliance committee are Mr. Rodrigo Echenique Gordillo, Mr. Fernando de Asúa Álvarez, Mr. Abel Matutes Juan, and its chairman is Mr. Guillermo de la Dehesa Romero. The secretary (non member) is Mr. Ignacio Benjumea Cabeza de Vaca.

(3) Not director.

Principal Activities Outside the Guarantor

The current directors of the Guarantor at the date hereof carry out among others the following functions in other companies:

Directors	Company Name	Functions
Mr. Emilio Botín Sanz de Sautuola y García de los Ríos	Santander Investment, S.A.	Chairman
	Universia Holding, S.L.	Chairman
	Portal Universia, S.A.	Chairman
Mr. Fernando de Asúa Álvarez	Bansalud, S.L.	Chairman
	Técnicas Reunidas, S.A.	Vice Chairman
Mr. Matías Rodríguez Inciarte	Constructora Inmobiliaria Urbanizadora Vasco-Aragonesa, S.A	Director
	UCI, S.A.	Chairman
Mr. Guillermo de la Dehesa Romero	Financiera Ponferrada, S.A., SICAV	Director
	Operador del Mercado Ibérico de Energía Polo Español, S.A.	Director
	Sanitas, Sociedad Anónima de Seguros	Director
	Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	Director
	Aviva Vida y Pensiones, S.A. de Seguros y Reaseguros	Chairman
Mr. Javier Marín Romano	Aviva Grupo Corporativo, S.L.	Chairman
	Campofrío Food Group, S.A.	Director
	Amadeus IT Holding, S.A.	Vice Chairman
	Grupo Empresarial San José, S.A.	Director
	Santander Private Banking, S.P.A	Chairman
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	Allfunds Bank, S.A.	Director
	Santander Investment, S.A.	Vice Chairman
	Santander UK plc	Chief Executive Officer
Mr. Javier Botín-Sanz de Sautuola y O'Shea	Ingeniería de Software Bancario, S.L.	Chairwoman
	Santander Investment, S.A.	Director
	New York Stock Exchange	Member of the advisory committee
	Alliance & Leicester Plc	Director
	The Coca-Cola Company	Director
	JB Capital Markets, S.V., S.A.	Chairman and Chief Executive Officer

Directors	Company Name	Functions
Lord Burns (Terence)	Santander UK PLC	Chairman
	Santander UK Foundation Limited	Chairman
	Channel Four Television Corporation	Chairman
Mr. Vittorio Corbo Lioi	Banco Santander Chile, S.A. - Chile	Director
	Endesa Chile	Director
	Grupo Financiero Santander-Mexico	Director
	Compañía de Seguros de Vida Sura, S.A.	Director
	Banco Santander (Mexico), S.A.	Director
	CCU, S.A.	Director
	Compañía de Seguros SURA-Chile, S.A.	Chairman
Mr. Rodrigo Echenique Gordillo	Santander Private Real Estate Advisory, S.A.	Chairman
	Allfunds Bank, S.A	Chairman
	Santander Investment, S.A.	Director
	Banco Santander International	Director
	Universia Holding, S.L.	Director
	Vocento, S.A.	Director
	NH Hoteles, S.A.	Chairman (non executive)
	Agrolimen, S.A.	Director
Ms. Esther Giménez-Salinas i Colomer	Gawa Capital Partners, S.L.	Director
	Portal Universia, S.A.	Director
Mr. Ángel Jado Becerro de Bengoa	Cartera Inmobiliaria, S.A., S.I.C.A.V.	Director
Mr. Abel Matutes Juan	Fiesta Hotels Group & Resorts, S.L.	Chairman
	FST Hotels & Resorts, S.L.	Chairman
	FCC Construcción, S.A.	Director
	Balearia Eurolíneas Marítimas, S.A.	Director
	Air Europa Líneas Aéreas, S.A.	Director
Mr. Juan Rodríguez Inciarte	Santander UK PLC	Vice Chairman
	Santander Consumer Finance, S.A.	Director
	JCF Services, Co LLC	Advisor
	Saarema Inversiones, S.A.	Director
	Vista Capital de Expansión, S.A., SGEGR	Director
Ms. Isabel Tocino Biscarolasaga	ENCE Energía y Celulosa, S.A.	Director
Mr. Juan Miguel Villar Mir	Grupo OHL	Chairman

-
- 9.2 ***Administrative, management, and supervisory bodies conflicts of interests. Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.***

There are no potential conflicts of interests between any duties owed to the Guarantor by the directors and their private interests and/or other duties.

During the 2012 fiscal year there have been 74 cases where directors, including those in senior management, have abstained from participating in meetings or voting in resolutions of the board of directors or its committees, in compliance with Article 229 of the Spanish Corporate Enterprises and thus avoiding potential conflicts of interest.

The breakdown of the 74 cases is as follows: 18 times were due to proposals for appointment or re-election of directors, in 38 cases it was due to approvals in relation to salary conditions and other terms of the contracts of directors, on 9 occasions as a result of funding proposals being discussed in relation to related companies or entities of various directors or with themselves; 5 times because of annual verification of the status of the directors that, under Article 6.3 of the Council Regulation, made the appointments and remuneration committee, on 2 occasions respect to valuation that Article 17.4 k) Council Regulation mandates the appointments and remuneration of the professional obligations of directors to assess whether these may interfere with the dedication that is required for them to effectively carry out its work; once to approve a contribution on behalf of a foundation headed by a director, and on another occasion to place on record the appreciation of the Board for the work done by counsel.

10. MAJOR SHAREHOLDERS

- 10.1 ***To the extent known to the guarantor, state whether the guarantor is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.***

At 31 December 2012, 1.922% of the Bank's share capital was held by members of the board of directors.

The Bank is not aware of any person which exerts or may exert control over the Bank within the terms of Article 4 of Ley 24/1988, de 28 de julio, del Mercado de Valores (Law 24/1988 of 28 July of the Securities Market).

The Bank is not aware of any arrangements, the operation of which may, at a date subsequent to that of the date hereof, result in a change in control of the Guarantor.

- 10.2 ***A description of any arrangements, known to the guarantor, the operation of which may at a subsequent date result in a change in control of the guarantor.***

The Bank is not aware of any arrangements the operation of which may at a date subsequent to that of the date hereof result in a change in control of the Guarantor.

11. **FINANCIAL INFORMATION CONCERNING THE GUARANTOR'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

- 11.1 ***Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the guarantor has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.***

The most recent year's audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the guarantor's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

If the guarantor has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards where the guarantor is a guarantor from the Community. For third country guarantors, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited. If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:

- (a) the balance sheet;
- (b) the income statement;
- (c) in the case of an admission of securities to trading on a regulated market only, a cash flow statement;
- (d) the accounting policies and explanatory notes.

The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of this Base Prospectus, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.

- 11.2 ***Financial statements: If the guarantor prepares both own and consolidated financial statements, include at least the consolidated financial statements in this Base Prospectus.***

The Guarantor prepares audited consolidated and non-consolidated annual financial statements, the English translations of which are incorporated by reference under paragraphs 2 and 3 of "Documents Incorporated by Reference".

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2012 and 2011 financial years were audited by the external audit firm Deloitte, S.L. There are no reservations or qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2012 and 2011 financial years.

The Guarantor also prepares consolidated interim financial statements. The unaudited consolidated Income Statement and Balance Sheet of the Guarantor as at and for the three months ended 31 March 2013 have been incorporated by reference under paragraph 1 of "Documents Incorporated by Reference". Such financial statements were extracted from the internal accounting records of the Guarantor.

11.3 Auditing of historical annual financial information.

- 11.3.1 ***A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.***

The individual and consolidated annual financial statements of Banco Santander, S.A. for the 2011 and 2012 financial years were audited by the external audit firm Deloitte, S.L. (formerly Deloitte & Touche España, S.L.).

There are no reservations or qualifications of the auditors in relation to the individual and consolidated 2011 and 2012 annual Financial Statements referred to above.

- 11.3.2 ***An indication of other information relating to the guarantor in this Base Prospectus which has been audited by the auditors.***

The information contained in "Business Overview" above is not audited and was obtained from the internal accounting records of the Guarantor, save for the summarised balance sheets and income statements of the various geographical segments (principal level) and the summarised income statements and other significant data of the business segments (secondary level), which, with respect to the year 2012, have been audited and were obtained from the Guarantor's 2012 Annual Report.

- 11.3.3 ***Where financial data in this Base Prospectus is not extracted from the guarantor's audited financial statements state the source of the data and state that the data is unaudited.***

The information relating to the Group contained in paragraph 6.1.3. above is not audited and was obtained from the Guarantor's 2012 Annual Report.

No other information relating to the Guarantor in this Base Prospectus has been audited by Deloitte S.L.

The date of the most recent audited annual consolidated financial information of the Guarantor is 31 December 2012.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2012 and 31 December 2011 have been filed with the Spanish securities market regulator.

11.4 *Age of latest financial information.*

11.4.1 *The last year of audited financial information may not be older than 18 months from the date of this Base Prospectus.*

The date of the most recent annual consolidated audited financial information of the Bank is 31 December 2012.

11.5 *Interim and other financial information.*

11.5.1 *If the guarantor has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in this Base Prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact.*

See "Documents Incorporated by Reference – Guarantor Interim Financial Information".

11.5.2 *If this Base Prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is unaudited state that fact.*

The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.

See paragraph 13.5.1 above.

11.6 *Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the guarantor is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the guarantor and/or group's financial position or profitability, or provide an appropriate negative statement.*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) which may have, or have had in the previous twelve months, significant effects on the Guarantor and/or the Group's financial position or profitability.

The following is a summary of certain legal proceedings affecting the Group: The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these and other legal proceedings and believes that liabilities related to such proceedings should not have a significant effect on the Guarantor and/or the Group's financial position or profitability.

Wherever possible the proceedings listed below are quantified. However, in view of the inherent difficulty of predicting the outcome of contentious matters the Bank is unable sometimes to quantify the potential loss or practical consequences if a judgment were ordered against it and accordingly no specific amount is attributed to such claims.

Tax-related proceedings

As of the date of this Base Prospectus, the main tax-related proceedings concerning the Group are as follows:

- Legal Action filed by Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11,727/2008.
- Legal Action filed by certain Group companies in Brazil claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8% and 10% from 1994 to 1998.
- Legal Action filed by Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander Brasil, S.A., the "Mandado de Segurança" was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007 the Federal Regional Court found in favor of Banco Santander Brasil, S.A., but the Brazilian authorities appealed against the judgment at the Federal Supreme Court. In the case of Banco ABN AMRO Real, S.A. (currently Banco Santander (Brasil), S.A.), in March 2007 the court found in its favor, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Banco Santander (Brasil), S.A. filed an appeal at the Federal Supreme Court.
- Banco Santander (Brasil), S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) on the ground that the relevant requirements under the applicable legislation were not met.
- Banco Santander (Brasil), S.A. and other Group companies in Brazil are involved in several administrative and legal proceedings against various municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services.
- In addition, Banco Santander (Brasil), S.A. and other Group companies in Brazil are involved in several administrative and legal proceedings against the tax authorities in connection with the taxation for social security purposes of certain items which are not considered to be employee remuneration.
- In December 2008 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. in relation to income tax (IRPJ and CSLL) for 2002 to 2004. The tax authorities took the view that the bank did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Banco Santander (Brasil), S.A.). Banco Santander (Brasil) S.A. filed an appeal against the infringement notice at Conselho Administrativo de Recursos Fiscais (CARF), which on 21 October 2011 unanimously decided to render the infringement notice null and void. The tax authorities have appealed against this decision at a higher

administrative level. In June 2010, the Brazilian tax authorities issued infringement notices on this same issue in respect of 2005 to 2007, which were appealed against at CARF. Based on the advice of its external legal counsel and in view of the recent decision by CARF, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defense arguments to appeal against the infringement notice. Accordingly, the risk of incurring a loss is remote. Consequently, no provisions have been recognised in connection with these proceedings because this matter should not affect the consolidated financial statements.

- In May 2003 the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (DTVM) and Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) in relation to the Provisional Tax on Financial Movements (CPMF) with respect to certain transactions carried out by DTVM in the management of its customers' funds and for the clearing services provided by Banco Santander Brasil, S.A. to DTVM in 2000, 2001 and the first two months of 2002. Both entities appealed against the infringement notices at CARF, with DTVM obtaining a favorable decision and Banco Santander Brasil, S.A. an unfavorable decision. Both decisions were appealed by the losing parties at the Higher Chamber of CARF, and the appeal relating to Banco Santander Brasil, S.A. is pending a decision. With respect to DTVM, having been notified of the decision overturning the previous favorable judgment on August 24, 2012, it lodged an appeal at the Higher Chamber of CARF on August 29, 2012. In the opinion of its legal advisors, the Group considers that the tax treatment applied in these transactions was correct.
- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros S.A. (Brasil), as the successor by merger to ABN AMRO Brasil Dois Participações, S.A., in relation to income tax (IRPJ and CSLL) for 2005. The tax authorities questioned the tax treatment applied to a sale of shares of Real Seguros, S.A. made in that year. The aforementioned entity filed an appeal against the infringement notice. As the former parent of Santander Seguros, S.A. (Brasil), Banco Santander (Brasil), S.A. is liable in the event of any adverse outcome of this proceeding. Also, the Brazilian tax authorities issued infringement notices against Banco Santander (Brasil) S.A. in connection with income tax (IRPJ and CSLL), questioning the tax treatment applied to the economic compensation received under the contractual guarantees provided by the sellers of the former Banco Meridional. The aforementioned entity filed an appeal against the infringement notice. On November 23, 2011, CARF unanimously decided to render null and void an infringement notice relating to 2002 with regard to the same matter. In February 2012 this decision was declared final in respect of 2002. The proceedings relating to the 2003 to 2006 fiscal years are still in progress.
- In June 2013 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. as responsible of Brazilian tax on the capital gain supposedly obtained in Brazil by the non-resident entity, Sterrebeeck B.V., in connection with the “incorporação de ações” which took place in August 2008. As a consequence of this transaction Banco Santander (Brasil) S.A. acquired all the shares of Banco ABN AMRO Real S.A. y ABN AMRO Brasil Dois Participações S.A. delivering in exchange to the former shareholders these companies, new Banco Santander (Brasil) S.A. shares issued in a capital increase made to this effect. The tax authorities took the view that in this transaction Sterrebeeck B.V. generated a capital gain taxable in Brazil, on the difference between the issuance price of Banco Santander (Brasil) S.A. shares received

and the acquisition cost of the shares delivered in exchange. The Group filed an appeal against the infringement notice at Delegacia de la Receita Federal and considers, based on the advice of its external legal counsels, that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defence arguments to appeal against the infringement notice and, accordingly, the risk of incurring a loss is remote. Consequently, no provisions have been recognized in connection with these proceedings because this matter should not affect the consolidated financial statements.

- A claim was filed against Abbey National Treasury Services plc by tax authorities abroad in relation to the refund of certain tax credits and other associated amounts. A favourable judgment at first instance was handed down in September 2006, although the judgment was appealed against by the tax authorities in January 2007 and the court found in favour of the latter in June 2010. Abbey National Treasury Services plc appealed against this decision at a higher court and in December 2011 the tax authorities confirmed their intention to file the related pleadings. The hearing took place in April 2012 and the court found for the tax authorities, upholding their appeal. There is no recourse for further appeal of this judgment by Abbey National Treasury Services plc, however it is not expected to have an adverse impact on the financial statements because of the provisions recognised in connection with this litigation.
- Legal action brought by Sovereign Bancorp, Inc. (currently Santander Holdings USA, Inc.) claiming its right to take a foreign tax credit in connection with taxes paid outside the United States in fiscal years 2003 to 2005 in relation to financing transactions carried out with an international bank. Santander Holdings USA, Inc. continues to believe that it is entitled to claim these foreign tax credits taken with respect to the transactions and also continues to believe that Santander Holdings USA, Inc. is entitled to tax deductions for the related issuance costs and interest deductions based on tax laws. In addition, if the outcome of this legal action is favorable to the interests of Santander Holdings USA, Inc., the amounts paid over by the entity in relation to this matter with respect to 2006 and 2007 would have to be refunded. During the first quarter of 2013, the U.S. Tax Court issued an adverse opinion in a case between a US taxpayer and the IRS involving a transaction with a structure similar to Santander Holdings USA, Inc.'s financing transactions. The US taxpayer has indicated it intends to appeal the decision. Santander Holdings USA, Inc. has confidence in its position because, among other reasons, Santander Holdings USA, Inc. will raise arguments and issues in its case that were not considered by the Tax Court. The trial of this litigation is expected to take place in the last quarter of 2013.

At the date of this Base Prospectus, the Bank and the other Group companies were subject to claims and, therefore, are party to certain other less significant tax-related proceedings incidental to the normal course of their business.

Non-tax-related proceedings

As of the date of this Base Prospectus, the main non-tax-related proceedings concerning the Group were as follows:

- Customer remediation: claims associated with the sale by Santander UK of certain financial products (principally payment protection insurance or PPI) to its customers.

Payment protection insurance is a UK insurance product offering payment protection on unsecured personal loans (and credit cards). The product was sold by all the UK banks. The mis-selling problems relate mainly to business written before 2009. The nature and profitability of the product has changed materially since 2008, in part due to customer and regulatory pressure.

On 1 July 2008, the UK Financial Ombudsman Service ("**FOS**") referred concerns regarding the handling of PPI complaints to the UK Financial Services Authority ("**FSA**"). On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling as an issue of wider implication. The FSA published its Policy Statement on 10 August 2010, setting out the evidence and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers' Association ("**BBA**"), the principal trade association for the UK banking and financial services sector, filed on behalf of certain financial institutions (which did not include Santander UK plc) an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to treat PPI sales in accordance with the guidance published on its website in November 2008. The Judicial Review hearing took place in January 2011 and on 20 April 2011 judgment was handed down by the High Court dismissing the BBA's application.

Santander UK did not participate in the legal action undertaken by other UK banks and has been consistently making a provision and settling claims with regards to PPI complaints liabilities since they began to increase in recent years. The provisions recognised by Santander UK in this respect were calculated on the basis of the estimate of customer remediation comprising the estimated cost of making redress payments with respect to the past sales of the product.

A detailed review of the provision was performed by Santander UK in the first half of 2011 in light of the new situation, including the High Court judgment of April 2011, the BBA's subsequent decision not to appeal that judgment and the consequent increase in actual claims levels. As a result, the provision has been revised to reflect the new situation.

In this context, in 2011 the Group recognised a provision, with a net effect on results of €620 million (£538 million), which was calculated on the basis of the estimate of the number of claims that will be received, of the number of claims that will be upheld and of the estimated average amount of compensation in each case.

The table below sets out the actual claims received to date and their solution.

(thousands of claims)

	2012	2011	2010
<i>Outstanding at January 1</i>	<i>1</i>	<i>-</i>	<i>2</i>

Claims received	437	111	37
Claims rejected as invalid (1)	(149)	(20)	(1)
Total Claims to be processed	289	91	38
Claims solved (2)	(258)	(90)	(38)
Outstanding at December 31	31	1	-

(1) Claims rejected because the customers did not acquire a PPI to Santander UK.

(2) The customer has the right to appeal to the Financial Ombudsman Service (FOS) if their claim is rejected. FOS may uphold or reject the appeal and if upheld Santander UK is required to provide redress to the customer. Claims paid or rejected above reflect the results of any appeals.

The increase in complaints in 2011 has its main cause in the press coverage on PPI following the High Court's dismissal of the BBA's application for a judicial review and the start of campaigns related to these products by the claims management companies ("CMC's").

PPI complaints rose significantly in 2012, due to higher press coverage, increased focus by CMCs and the Santander UK proactively contacts to more than 300,000 customers.

The 2013 first semester provision represents the Group management's best estimate (considering the opinion of its advisors) of the anticipated costs of related customer contact and/or redress, derived from the PPIs selling in United Kingdom. The provision is calculated based on a number of key assumptions which involve significant management judgment. These are as follows:

- Claim volumes – the estimated number of customer complaints received,
- Uphold rate – the estimated percentage of complaints that are, or will be, upheld in favor of the customer, and
- Average cost of redress – the estimated payment to customers, including compensation for any direct loss plus interest.

The assumptions have been based on the following:

- Analysis completed of the causes of complaints, and uphold rates, and how these are likely to vary in the future,
- Actual claims activity registered to date,
- The level of redress paid to customers, together with a forecast of how this is likely to change over time,
- The impact on complaints levels of proactive direct customer contact, and
- The effect of media coverage on the issue.

The assumptions are kept under review, and regularly reassessed and validated against actual customer data, e.g. claims received, uphold rates, the impact of any changes in approach to uphold rates etc., and any re-evaluation of the estimated population.

Management reassess the level of provision required at each reporting period, taking account of the latest available information as well as past experience.

The most critical factor in determining the level of provision is the volume of claims received and also the number of expected claims. The percentage of lost claims is

determined taking into account the analysis of the sales process. The average amount of compensation is reasonable estimated as the Group manages a high volume of homogeneous claims.

- Lanetro, S.A. (currently Zed Worldwide, S.A.): claim (ordinary lawsuit no. 558/2002) filed by Lanetro, S.A. against Banco Santander, S.A. at Madrid Court of First Instance no. 34, requesting that the Bank comply with the obligation to subscribe to €30.05 million of a capital increase at the plaintiff.

In a decision handed down on 30 March 2010, the Supreme Court dismissed an extraordinary appeal against procedural infringements and partly upheld a cassation appeal filed in both cases by the Bank against the decision of the Madrid Provincial Appellate Court.

Following this order, an agreement was reached for the out-of-court enforcement of the decision whereby the Bank would subscribe and pay 6,208,802 shares for its contribution of €30.05 million. As a result, on December 27, 2012, the parties requested the judge that the enforcement proceeding be discontinued and struck out, which was declared in an order dated January 23, 2013.

- Proceeding under Civil Procedure Law filed by Galesa de Promociones, S.A. against the Bank at Elche Court of First Instance no. 5, Alicante (case no. 1946/2008). The claim sought damages amounting to €51,396,971.43 as a result of a judgment handed down by the Supreme Court on 24 November 2004 setting aside a summary mortgage proceeding filed by the Bank against the plaintiff company.

On 2 March 2010, the court of first instance handed down a decision partly upholding both the claim filed against the Bank and the counterclaim. On 11 November 2010, the Alicante Provincial Appellate Court handed down a decision upholding the appeal filed by the Bank and dismissing the appeal brought by Galesa de Promociones S.A., as a result of which and by way of offsetting the indemnity obligations payable by each party, the Bank became a creditor of Galesa in the amount €400,000.

Galesa de Promociones S.A. filed a cassation appeal with the Supreme Court against this decision, which was given leave to proceed.

- After the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, on September 8, 2011 Banco Santander S.A. filed a new request for arbitration with the Spanish Arbitration Court against Delforca 2008, Sociedad de Valores, S.A. (formerly Gaesco Bolsa Sociedad de Valores S.A.), claiming €66,418,077.27 that the latter owes Banco Santander, S.A. as a result of the early termination on January 4, 2008 realized by the Bank of the financial transaction subscribed by the parties.

On August 3, 2012 Delforca 2008, S.A. voluntarily petitioned for an insolvency order, granted by Barcelona Commercial Court no. 10, ordering such Court the stay of the arbitration proceeding and of the effects of the arbitration agreement entered into by Banco Santander, S.A. and Delforca 2008, S.A. The decision was appealed by the Bank

and that appeal was rejected by the Court, filing the bank a formal protest towards a future remedy of appeal.

The Arbitration Court, in strict obedience with the decision of the Commercial Court, agreed on January 20, 2013 to stay the arbitration proceedings at the stage reached until a decision may be reached in this respect in the insolvency proceeding.

In addition, as part of the insolvency proceeding of Delforca 2008, S.A., Banco Santander, S.A. notified its claim against the insolvent party, with a view to having the claim recognized as a contingent ordinary claim without specified amount.. Nevertheless, the insolvency manager opted to exclude Banco Santander, S.A.'s claim from the provisional list of creditors and, accordingly, Banco Santander, S.A. filed an ancillary appeal pending to be resolved. In this ancillary claim (still in progress) Delforca 2008 S.A and the insolvency manager expect that the Court decides again on the merits of the case referring to the main question disputed between Banco Santander, S.A. and Delforca 2008 S.A.; and for that reason Banco Santander, S.A. has filed a remedy against the Court decision which admitted the means of proofs proposed by the other party.

In the same insolvency proceeding, Delforca 2008, S.A. has filed another ancillary claim, requesting the termination of the clause referring to the arbitration court agreed in 1998 on the Spanish Master Agreement (CMOF) signed by Delforca 2008 and Banco Santander, S.A., and requesting as well the termination of the arbitration court resolution which bind the insolvency company with the board of the Spanish Arbitration Court. Before accept or reject this claim, the court has requested the parties involved in the proceeding to allege if the Commercial Court are competent or not to judge this new claim. Each party has already provide their arguments to the Court.

Additionally, in April 2009 Mobilaria Monesa, S.A. (parent company of Delforca 2008, S.A.) filed a claim against Banco Santander, S.A. at Santander Court of First Instance no. 5, claiming the damages incurred, in their opinion, by Banco Santander S.A. due to the unduly claim filed against its affiliate, reproducing the same objections than this.

This proceeding was stayed due to the preliminary civil ruling grounds requested. An appeal was filed against this order but a judgment thereon is yet to be issued.

Finally, on April 11, 2012, Banco Santander, S.A. was notified of the claim filed by Delforca 2008, S.A., heard by Madrid Court of First Instance no. 21, in which it requested indemnification for the damage and losses arising, in their opinion, from the claim unduly filed by the Bank. Request filed by Delforca 2008 S.A. via counterclaim in the arbitration proceeding that was concluded with the annulled award andwith an estimated amount then of up to €218,000,000; In their claim now, and invoking Article 219.3 of the Civil Procedure Law, it leaves for a subsequent proceeding the amount to be settled (as the case may be) by the Bank. The aforementioned Court has estimated the declinatory exception filed by Banco Santander, S.A., which decision is currently under appeal.

The Group considers that the risk of loss arising as a result of these matters is remote and, accordingly, it has not recognized any provisions in connection with these proceedings.

- Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: a claim was filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's bylaws in the event that the entity obtained a profit and that the distribution of this profit, in the form of this bonus, were approved by the board of directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000 as agreed by the board of directors, and the relevant clause was eliminated in 2001. The Regional Labour Court ordered the Bank to pay the half-yearly bonus and the bank subsequently lodged an appeal at the High Labour Court, which ordered the bank on June 25, 2008 to pay the half-yearly bonus from 1996 onwards for a maximum amount equivalent to the share in the profits. Appeals against this decision were filed at the High Labour Court and the Supreme Federal Court. The first one confirms again its judgment and in the meantime the Supreme Federal Court dismissed as well the extraordinary appeal filed by the Bank by means of a decision adopted by only one of the judges of the court upholding the aforementioned judgment. As a result, the Bank filed a special appeal to the 1st Chamber of the Supreme Federal Court to decide on the general repercussions and on the main matters of the case.
- "Planos económicos": Like the rest of the banking system, Santander Brasil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason, in connection with certain legislative changes in order to calculate the inflation (*planos económicos*). The plaintiffs considered that their vested rights in relation to the inflationary adjustments had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice (HCJ) set the limitation period for these class actions at five years, as claimed by the banks, rather than twenty years, as sought by the claimants, which will significantly reduce the number of actions, and the amounts claimed in this connection. As regards the substance of the matter, the decisions issued to date have been adverse for the banks, although two proceedings have been brought at the HC J and the Supreme Federal Court (SFC) with which the matter is expected to be definitively settled. In August 2010, the HCJ handed down a decision finding for the plaintiffs in terms of substance, but excluding one of the "planos" from the claim, thereby reducing the claimed amount, and confirming the five-year statute of limitations period. Shortly thereafter, the SFC issued an injunctive relief order whereby all the proceedings in progress in this connection were stayed until this court issues a final decision on the matter, which is still pending. Against this theoretical backdrop, there is a possibility that the STF judge each "planos" on an individual basis.
- Proceeding under Civil Procedure Law (case no. 1043/2009) conducted at Madrid Court of First Instance no. 26, following a claim brought by Banco Occidental de Descuento, Banco Universal, C.A. against the Bank for US\$ 150,000,000 in principal plus US\$ 4,656,164 in interest, upon alleged termination of an escrow contract. The Court has delivered affirmative judgment without a ruling being issued in relation to costs. A judgment handed down by the Madrid Provincial Appellate Court on October 9, 2012 upheld the appeal lodged by the Bank and dismissed the appeal lodged by Banco Occidental de Descuento, Banco Universal, C.A., dismissing the claim. The dismissal of the claim was confirmed in an ancillary order to the judgment dated December 28, 2012. A cassation appeal was filed by Banco Occidental de Descuento,

Banco Universal, C.A. against the Madrid Provincial Appellate Court judgment and the parties have appeared before the Supreme Court.

- On 26 January 2011, notice was served on the Bank of an ancillary insolvency claim to annul acts detrimental to the assets available to creditors as part of the voluntary insolvency proceedings of Mediterráneo Hispa Group S.A. at Murcia Commercial Court no. 2. The aim of the principal action is to request annulment of the application of the proceeds obtained by the company undergoing insolvency from an asset sale and purchase transaction involving €31,704,000 in principal and €2,711,567.02 in interest. On 24 November 2011, the hearing was held with the examination of the proposed evidence. Upon completion of the hearing, it was resolved to conduct a final proceeding which was held on February 29, 2012, and a decision is yet to be issued thereon.
- The bankruptcy of various Lehman Group companies was made public on 15 September 2008. Various customers of Santander Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying.

As of the date of this Base Prospectus, certain claims had been filed in relation to this matter. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability for it in relation to the insolvency of Lehman. Accordingly, the risk of loss is considered to be remote.

- The intervention, on the grounds of alleged fraud, of Bernard L. Madoff Investment Securities LLC ("Madoff Securities") by the US Securities and Exchange Commission ("SEC") took place in December 2008. The exposure of customers of the Group through the subfund Optimal Strategic US Equity ("**Optimal Strategic**") was €2,330 million, of which €2,010 million related to institutional investors and international private banking customers, and the remaining €320 million were in the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

As of the date of this Base Prospectus, certain claims had been filed in relation to this matter. The Group considers that it has at all times exercised due diligence and that these products have always been sold in a transparent way pursuant to applicable legislation and established procedures. Therefore, except for one specific case in which the decisions handed down partially upheld the claim based on the particular circumstances of this case (which have been appealed against by the Bank), the risk of loss is considered to be remote.

- On December 17, 2010, the Bank of New York Mellon Trust Company, National Association ("the **Trustee**") filed a claim against Santander Holdings USA, Inc. (formerly Sovereign Bancorp, Inc.) ("Sovereign") at the US District Court for the Southern District of New York (the "Court") as the trustee of the Trust PIERS (Preferred Income Equity Redeemable Securities) under an indenture dated September 1, 1999 (the version in force at that date).

The claim alleged that the acquisition of Sovereign by Banco Santander on January 31, 2009 constituted a "change of control" of the Trust PIERS.

On November 23, 2012, an agreement was subscribed between Sovereign and Trust Piers resolving all the disputes rose in this proceeding. After that, the parties have filed jointly at the Court a document requesting for the dismissal of the proceeding. Therefore, the present case is concluded.

The Bank and the other Group companies are subject to claims and, therefore, are party to certain legal proceedings incidental to the normal course of their business (including those in connection with lending activities, relationships with employees and other commercial or tax matters).

In this context, it must be considered that the outcome of court proceedings is uncertain, particularly in the case of claims for large or indeterminate amounts, those based on legal issues for which there are no precedents, those that affect a large number of parties or those at a very preliminary stage.

With the information available to it, the Group considers that at December 31, 2012, 2011 and 2010, it had reliably estimated the obligations associated with each proceeding and had recognized, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal situations. It also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's business, financial position or results of operations.

The total amount of payments made by the Group arising from litigation in 2012, 2011 and 2010 is not material with respect to the consolidated financial statements for those years.

In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Group cannot state with confidence what the eventual outcome of any of these pending matters will be, what the timing of the ultimate resolution of such matters will be or what the eventual loss, fines or penalties related to each such pending matter may be. Consequently, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group; and the outcome of a particular matter may be material to the Group's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of the Group's income for that period.

Other Litigation

In addition to the matters described above, the Guarantor and its subsidiaries are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of the Group's business, including in connection with the Group's lending activities, relationships with the Group's employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Guarantor cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be.

The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believes that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Guarantor; as a result, the outcome of a particular matter may be material to the Guarantor's operating results for a particular period, depending upon, amongst other factors, the size of the loss or liability imposed and the level of the Guarantor's income for that period.

As of the date of this Base Prospectus, the Group has recorded provisions that it believes that reasonably cover any contingencies that might arise from these tax-related and non-tax-related proceedings.

- 11.7 ***Significant change in the guarantor's financial or trading position: A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.***

There has been no significant change in the financial or trading position of the Santander Group (including the Guarantor) since 31 March 2013 (being the date of the most recently published consolidated financial statements of the Guarantor). Therefore, there has been no material adverse change in the prospects of the Guarantor since 31 March 2013.

12. MATERIAL CONTRACTS

- 12.1 ***A brief summary of all material contracts that are not entered into in the ordinary course of the guarantor's business, which could result in any group member being under an obligation or entitlement that is material to the guarantor's ability to meet its obligation to security holders in respect of the securities being issued.***

During the past two years, the Bank has not been a party to any contracts that were not entered into in the ordinary course of business of the Bank and which were material to the Group as a whole.

13. THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

- 13.1 ***Where a statement or report attributed to a person as an expert is included in this Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the guarantor. If the report has been produced at the guarantor's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of this Base Prospectus.***

Not Applicable.

- 13.2 ***Where information has been sourced from a third-party, provide a confirmation that this information has been accurately reproduced and that as far as the guarantor is aware and is able to ascertain from information published by that third-party, no facts have***

been omitted which would render the reproduced information inaccurate or misleading. In addition, the guarantor shall identify the source(s) of the information.

Not Applicable.

14. **DOCUMENTS ON DISPLAY**

14.1 *A statement that for the life of the Base Prospectus the following documents (or copies thereof), where applicable, may be inspected:*

- (a) the memorandum and articles of association of the guarantor;*
- (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the guarantor's request any part of which is included or referred to in the base prospectus;*
- (c) the historical financial information of the guarantor or, in the case of a group, the historical financial information of the guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the base prospectus.*

An indication of where the documents on display may be inspected, by physical or electronic means.

The following documents may be inspected by physical or electronic means at the registered office of the Guarantor, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of the Base Prospectus:

- (i) the *estatutos* (by-laws) of the Guarantor; and
- (ii) the information incorporated by reference herein under "Terms and Conditions Incorporated by Reference" and under "The Description of the Guarantor — Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses".

The documents listed in (i) and (ii) above and each of the Final Terms shall be published on electronic form (pdf copies) on the Irish Stock Exchange website (www.ise.ie).

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a Dealer Agreement dated 29 July 2013 (the "**Dealer Agreement**") between the Issuer, the Guarantor, the Arranger and the Dealers, the Notes will be offered on a continuous basis by the Issuer to the Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to other 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 Dealers. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers.

Each of the Issuer failing whom, the Guarantor, has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by the Issuer or, in relation to itself and the Issuer only, by any Dealer, at any time on giving not less than ten business days' notice.

United States of America

Regulation S Category 2, TEFRA D, unless TEFRA C is specified as applicable in the relevant Applicable Transaction Terms: Rule 144A eligible if so specified in the relevant Applicable Transaction Terms.

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

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

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

Such Dealers as may be specified in the relevant Applicable Transaction Terms may offer and sell Notes in accordance with Rule 144A under the Securities Act ("**144A Resales**") subject to compliance with all applicable United States selling restrictions.

In connection with any such 144A resale, each such Dealer has represented, undertaken and agreed that it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act, that transfers of Notes are restricted as set forth herein and that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act.

Each Series of Notes may also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer may agree and as indicated in the relevant Applicable Transaction Terms.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

In relation to each Tranche of Notes, the Dealers subscribing for or purchasing such Notes have represented to and agreed with, or will represent to and agree with, the Issuer, the Guarantor and each other such Dealer (if any) that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) 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
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or, in the case of the Guarantor, would not apply to the Guarantor if it was not an authorised person; and
- (c) **General compliance:** 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.

The Kingdom of Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 julio del Mercado de Valores*) or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Neither the Notes nor the Offering Circular have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Offering Circular is not intended for any public offer of the Notes in Spain.

The Notes may not be offered, sold or distributed, nor may the Notes be re-sold to Spanish tax-resident individuals.

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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 which are the subject of the offering contemplated by the Offering Circular as completed by the Applicable Transaction Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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 such Notes to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the Applicable Transaction Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such 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, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Applicable Transaction Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such applicable transaction or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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, the expression "**Prospectus Directive**" means Prospectus Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Japan

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended) or to others for re-offering or resale, 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 with, the FIEA and any other applicable laws of Japan.

Ireland

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

- (a) it has not and will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (NOS. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- (b) it has not and will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Bank Acts 1942 – 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it has not and will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended), the Companies Acts 1963 to 2012 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank;
- (d) it has not and will not underwrite the issue of, place or otherwise act in Ireland in respect of the notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank; and
- (e) no notes will be offered or sold with a maturity of less than twelve months except in full compliance with the Central Bank Notice BSD C 01/02.

General

Each Dealer has represented, warranted and agreed, that to the best of its knowledge and belief, it has complied, and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes such offering material, in all cases at its own expense.

Other persons into whose hands this Offering Circular or any Applicable Transaction Terms comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, or

distribute this Offering Circular or any Applicable Transaction Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Applicable Transaction Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Offering Circular.

TAXATION AND DISCLOSURE OF INFORMATION IN CONNECTION WITH PAYMENTS

The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and Ireland and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of whom (such as dealers in securities) may be subject to special rules. Prospective investors who are in any doubts as to their position should consult with their own professional advisers.

Taxation in Spain

The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Offering Circular:

- (a) of general application, Additional Provision Two of Law 13/1985, of 25 May 1985 on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July 2003 on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005, of 18 November 2005, on certain measures to promote productivity and Law 4/2008, abolishing the Wealth Tax Levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system, as well as Royal Decree 1065/2007 ("**Royal Decree 1065/2007**"), of 27 July 2007 establishing information obligations in relation to preferential holdings and other debt instruments and certain income obtained by individuals resident in the European Union and other tax rules as amended by Royal Decree 1145/2011 of 29 July;
- (b) for legal entities resident for tax purposes in Spain which are corporate income tax ("**Corporate Income Tax**") taxpayers, Royal Legislative Decree 4/2004, of 5 March 2004 promulgating the Consolidated Text of the Corporate Income Tax Law, and Royal Decree 1777/2004, of 30 July 2004 promulgating the Corporate Income Tax Regulations (the "**Corporate Income Tax Regulations**"); and
- (c) for individuals and legal entities who are not resident for tax purposes in Spain and are non-resident income tax ("**Non-Resident Income Tax**") taxpayers, Royal Legislative Decree 5/2004, of 5 March 2004 promulgating the Consolidated Text of the Non-Resident Income Tax Law, and Royal Decree 1776/2004, of 30 July 2004 promulgating the Non-Resident Income Tax Regulations, along with Law 19/1991, of 6 June 1991 on Wealth Tax as amended by Law 4/2008, Royal Decree-Law 13/2011 and Law 29/1987, of 18 December 1987 on Inheritance and Gift Tax.

Whatever the nature and residence of the holder of a beneficial interest in the Notes (each, a "**Beneficial Owner**"), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example exempt from transfer tax and stamp duty, in accordance with the consolidated text of such tax

promulgated by Royal Legislative Decree 1/1993, of 24 September 1993, and exempt from value added tax, in accordance with Law 37/1992, of 28 December 1992 regulating such tax.

1. Legal Entities with Tax Residency in Spain

1.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

Payments of income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in profit and taxable income of legal entities with tax residency in Spain for Corporate Income Tax purposes in accordance with the rules for Corporate Income Tax. In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July as amended by Royal Decree 1145/2011 of 29 July, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold on interest payments to Spanish CIT taxpayers provided that the relevant information about the Notes is submitted.

1.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Spanish resident legal entities are not subject to Wealth Tax.

1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities with tax residency in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax and must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

2. Individuals and Legal Entities with no Tax Residency in Spain

2.1 Non-Resident Income Tax (*Impuesto sobre la Renta de No Residentes*)

(a) *Non-Spanish resident investors acting through a permanent establishment in Spain*

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are the same as those for Spanish Corporate Income Tax taxpayers.

(b) *Non-Spanish resident investors not acting through a permanent establishment in Spain*

Payments of income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who have no tax residency in Spain, and which are Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from public debt.

2.2 Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, according to Royal Decree-Law 13/2011, of 16 September and Law 16/2012, of 27 December, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed EUR700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Non-Spanish resident legal entities are not subject to Wealth Tax.

2.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish legislation.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to Non-Resident Income Tax. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

3. **Information about the Notes in Connection with Payments**

The Issuer is currently required by Spanish law to file an annual return with the Spanish tax authorities in which it reports on certain information relating to the Notes. In accordance with Section 44 of Royal Decree 1065/2007, for the purpose of preparing the annual return referred to above, certain information with respect to the Notes must be submitted to the Issuer at the time of each payment.

Such information would be the following:

- (a) Identification of the Notes (as applicable) in respect of which the relevant payment is made;
- (b) Date on which relevant payment is made;
- (c) the total amount of the relevant payment; and
- (d) the amount of the relevant payment corresponding to each entity that manages a clearing and settlement system for securities situated outside Spain.

In particular, the Principal Paying Agent must certify the information above about the Notes by means of a certificate the form of which is attached as Annex I of this Offering Circular. In light of the above, the Issuer and the Principal Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. Investors should note that the Issuer does not accept any responsibility relating to the procedures established for the collection of information concerning the Notes.

Accordingly, the Issuer will not be liable for any damage or loss suffered by any holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. See "*Risk Factors*". The procedures for providing documentation referred to in this section are set out in detail in the amended and restated agency agreement dated 29 July 2013 (the "**Agency Agreement**") which may be inspected during normal business hours at the specified office of the Principal Paying Agent. In particular, if the Principal Paying Agent does not act as common depository, the procedures described in this section will be modified in the manner described in the Agency Agreement.

Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

Annex I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal (...)⁽¹⁾, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)⁽¹⁾ y domicilio en (...) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number (...)⁽¹⁾, in the name and on behalf of (entity), with tax identification number (...)⁽¹⁾ and address in (...) as (function - mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Principal Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1. En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores.....

1.1 Identification of the securities.....

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados).....

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. En relación con el apartado 5 del artículo 44.

2. In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores.....

2.1 Identification of the securities.....

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
.....

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro ena dede

I declare the above in on the.... of of

⁽¹⁾**En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

⁽¹⁾In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

Ireland

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which could include interest paid on the Notes. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the "1997 Act") for certain interest bearing securities ("**quoted Eurobonds**") issued by a body corporate (such as the Issuer) which are quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

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

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

So long as the Notes are quoted on a recognised stock exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

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

Taxation of Noteholders

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

However, interest on the Notes will be exempt from Irish income tax if the recipient of the interest is resident in a relevant territory (a member state of the European Union (other than Ireland) or in a country with which Ireland has a comprehensive double taxation agreement) provided either (i) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above (ii) if the Notes are not or cease to be quoted Eurobonds exempt from withholding tax and the recipient of the interest is a company resident in a relevant territory that generally taxes foreign source interest.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed may have a liability to Irish corporation tax on the interest.

Noteholders receiving interest on the Notes which does not fall within the above exemptions may be liable to Irish income tax, PRSI and the universal social charge on such interest.

Capital Gains Tax

A holder of Notes may be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time. Registered Notes are generally regarded as situated where the principal register of Noteholders is maintained or is required to be maintained, but the Notes may be regarded as situated in Ireland regardless of their physical location or the location of the register as they represent a debt owed by an Irish incorporated debtor which may be secured over Irish property. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponent or the donee/successor.

Stamp Duty

Any document transferring title to the Notes is potentially subject to 1 per cent. Irish stamp duty. However, if the terms of the loan capital exemption are satisfied no stamp duty is payable. There are four conditions that must be satisfied to avail of this exemption:

- (a) the Notes must not carry a right of conversion into shares of an Irish incorporated company;
- (b) the Notes must not carry rights similar to those attaching to shares, including voting rights, entitlement to a share of profits or a share in surplus on liquidation of the Issuer;
- (c) the Notes must be issued for a price which is not less than 90 per cent. of the nominal value of the Notes; and
- (d) the Notes must not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or marketable securities) specified in any document relating to the Notes.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria 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.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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 or certain limited types of entity established 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 or certain limited types of entity in one of those territories.

GENERAL INFORMATION

1. Application has been made for Notes issued under the Programme to be admitted to the Official List and trading on the GEM or the regulated market of the Irish Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Irish Stock Exchange but which will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as the Issuer and the relevant Dealer(s) may agree.

2. Each of the Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in Ireland and the Kingdom of Spain in connection with the establishment of the Programme and the issue and performance of the Notes and the guarantees relating to them. The establishment of the Programme was authorised by the resolution of the board of directors of the Issuer passed on 7 July 2004, and the establishment of the Programme and the giving of the guarantees relating to the Notes by the Guarantor was authorised by a resolution of the executive committee of the Guarantor passed on 10 January 2005. The increase of the aggregate principal amount of Notes which may be outstanding at any time under the Programme was increased from EUR 5,000,000,000 to EUR 10,000,000,000 pursuant to a resolution of the executive committee of the Guarantor and a meeting of the board of directors of the Issuer, both held on 13 November 2006. The update of the Programme was authorised by the resolution of the board of directors of the Issuer passed on 24 July 2013 and by an authorisation of the executive committee of the Guarantor on 1 July 2013.
3. Each Bearer Note, Receipt, Coupon and Talon 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**".
4. There are no pending or threatened governmental, legal or arbitration actions, suits or proceedings against or affecting the Issuer or the Guarantor or any of the Guarantor's subsidiaries, which, if determined adversely to the Issuer, the Guarantor or the Guarantor's subsidiaries, may have, or have had during the 12 months prior to the date hereof, individually or in the aggregate, a significant effect on the financial position of the Issuer or the Guarantor and its subsidiaries and, to the best knowledge of the Issuer or the Guarantor and its subsidiaries, no such actions, suits or proceedings are threatened or contemplated.
5. Since 31 December 2012 in the case of the Guarantor and the Guarantor's subsidiaries, and since 31 December 2012 in the case of the Issuer, there has been no material adverse change in the financial position or prospects.
6. Since 31 March 2013 in the case of the Guarantor and the Guarantor's subsidiaries, and since 31 December 2012 in the case of the Issuer, there has been no significant change in the financial or trading position.
7. Notes will be accepted for clearance through the Euroclear and Clearstream systems. The Common Code and the International Securities Identification Number (ISIN) will be set out in the relevant Applicable Transaction Terms.
8. For so long as the Programme remains in effect or any Notes remain outstanding, the following documents will be available for inspection and (in the case of the items listed under (vi), (vii),

(viii), (ix) and (x) below) obtainable, during usual business hours on any weekday (Saturdays and public holidays excepted) in physical form, at the registered offices of the Issuer, the Guarantor, the Principal Paying Agent and each of the Paying Agents:

- (i) the Agency Agreement;
 - (ii) the Programme Manual (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates in respect of Registered Notes, the Coupons, the Receipts and the Talons);
 - (iii) the Dealer Agreement;
 - (iv) the Deed of Covenant;
 - (v) the Deed of Guarantee;
 - (vi) the Memorandum and Articles of Association of the Issuer and the *Estatutos* (with English translation) of the Guarantor;
 - (vii) the annual report and audited consolidated and non-consolidated financial statements of the Guarantor for the years ended 31 December 2012 and 2011;
 - (viii) the annual report of the Issuer for the years ended 31 December 2012 and 2011;
 - (ix) the 2012 Conditions, 2011 Conditions, 2010 Conditions, 2009 Conditions, 2008 Conditions, 2007 Conditions and 2006 Conditions, as defined above;
 - (x) Applicable Transaction Terms relating to Notes issued under the Programme;
 - (xi) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;
 - (xii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular; and
 - (xiii) the Issuer - ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream Luxembourg with respect to the settlement in Euroclear and Clearstream Luxembourg of Notes in New Global Form).
9. The consolidated and non-consolidated financial statements of the Guarantor for the years ended 31 December 2012 and 2011 were audited by Deloitte S.L. of Plaza Pablo Ruiz Picasso, 1, 28020 Madrid, Spain (registered auditors in Spain and a member of the *Registro Oficial de Auditores de Cuentas* and with registration number S0692). The financial statements of the Issuer for the year ended 31 December 2012 and 2011 were audited by Deloitte & Touche, Chartered Accountants of Earlsfort Terrace, Dublin 2, Ireland. As registered auditors, Deloitte & Touche are regulated by the Chartered Accountants Regulatory Board of the Institute of Chartered Accountants in Ireland, whose address is Chartered Accountants House, 47 Pearse Street, Dublin 2, Ireland.
10. Copies of the latest financial statements of the Issuer and the annual report and audited consolidated and non-consolidated financial statements of the Guarantor may be obtained, and

copies of the Agency Agreement 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 is outstanding. The Issuer does not prepare audited interim financial statements.

11. Any uniform resource locators given in respect of web-site addresses in the Offering Circular are inactive textual references only and it is not intended to incorporate the contents of any such web sites into this Offering Circular nor should the contents of such web sites be deemed to be incorporated into this Offering Circular.
12. A&L Goodbody, Solicitors have acted as legal adviser to the Issuer as to Irish law and Allen & Overy have acted as legal adviser to the Arranger and Dealers as to Spanish law and English law, in relation to the update of the Programme.
13. In relation to this Programme, Banco Santander, S.A. acts in its capacity as Arranger and a Dealer of the Programme. Prospective investors should note that Banco Santander, S.A. is also the Guarantor under the Programme.
14. There are no material contracts which could result in any member of the Banco Santander consolidated group of companies being under an obligation that is material to the Issuer's ability to meet its obligations to the Noteholders.

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**PRINCIPAL PAYING AGENT, PAYING
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TRANSFER AGENT AND TRANSPARENCY
DIRECTIVE AGENT**

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**U.S. PAYING AGENT AND U.S. TRANSFER
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*To the Arranger and the Dealers as to Spanish law
and English law*

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