

# 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 385 to 389 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>).

The Guarantor has been rated by Fitch Ratings España, S.A.U. ("**Fitch**"), Moody's Investor Service España, S.A. ("**Moody's**"), Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), DBRS Ratings Limited ("**DBRS**"), Scope Ratings GmbH ("**Scope Ratings**") and GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH ("**GBB-Rating**"). Each of Fitch, Moody's, S&P, DBRS, Scope Ratings and GBB-Rating is established in the European Union and is registered under the CRA Regulation. 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 Notes.

Arranger and Dealer

BANCO SANTANDER, S.A.

Dealers

BOFA MERRILL LYNCH  
CITIGROUP  
COMMERZBANK  
CRÉDIT AGRICOLE CIB  
DEUTSCHE BANK  
GOLDMAN SACHS INTERNATIONAL

HSBC  
LLOYDS BANK  
MORGAN STANLEY  
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT  
BANKING  
UBS INVESTMENT BANK

29 July 2014

## 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".

## DRAFT

*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**

**DRAFT**

**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 91 259 65 20.

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.

According to Bloomberg L.P. information services, at the end of 2013, the Group was the largest bank in the euro area and the eleventh in the world in terms of market capitalisation: EUR 73,735 million. The Group is a global, multinational bank.

Its corporate purpose is to engage in all kinds of activities, operations and services that are typical of the banking business in general. Its business model focuses on commercial banking products and services with the objective of meeting the needs of its customers - private individuals, SMEs and businesses, and it serves over 100 million customers in a

global network of 13,927 branch offices, which is the biggest in international banking. It has EUR 1,116,000 million in assets and manages funds of EUR 1,241,000 million for all the customer segments. It has 3.3 million shareholders and nearly 183,000 employees. Commercial banking accounts for 87% of its income.

Directors and Employees

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

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

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

Emilio Botín-Sanz de Sautuola y García de los Ríos  
Javier Marín Romano  
Fernando de Asúa Álvarez  
Matías Rodríguez Inciarte  
Guillermo de la Dehesa Romero  
Ana Patricia Botín-Sanz de Sautuola y O'Shea  
Rodrigo Echenique Gordillo  
Isabel Tocino Biscarolasaga

*Description of the Programme*

Description:

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

Arranger:

Banco Santander, S.A.

Dealers:

Banco Santander, S.A., Bank of America Merrill Lynch, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, Lloyds Bank plc, 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 public limited company ("**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 Directive 2010/73/EU (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** Notes issued under the Programme may be issued either (1) pursuant to this Offering Circular and associated Applicable Transaction Terms, or

Particulars: (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 Fund Linked Notes, Index Linked Notes or any other 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, reference entity or a

formula (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, reference entity or a formula (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 Conditions of the Notes—Events of Default</i> ".
Early Redemption:	Except as provided in " <i>Optional Redemption</i> " above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons.
Withholding Tax:	Payments in respect of 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 (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, Receipts 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.

Information requirements under Spanish Law:	<p>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.</p> <p>If the Principal Paying Agent fails to provide the Issuer with the required information described under "<i>Taxation and Disclosure of Information in Connection with Payments—Taxation in Spain</i>" 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.).</p> <p>None of the Issuer, the Guarantor, the Arranger, the Dealers, or the ICSDs assumes any responsibility therefore.</p>
Governing Law:	<p>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.</p>
Rule 144A:	<p>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.</p>
Selling Restrictions:	<p>United States, United Kingdom, Ireland, Spain, Japan and the European Economic Area. See "<i>Plan of Distribution</i>".</p> <p>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.</p>
Risk Factors:	<p>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.</p> <p>For a description of certain risks involved in investing in the</p>

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", "Annex 3 – Additional Terms and Conditions for Fund Linked Notes" and "Annex 4 – Additional Terms and Conditions for Credit 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 Notes, Credit Linked Notes, commodity linked or other structured Notes ("**Structured Notes**"). In respect of any 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, Equity Linked Notes or Credit 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.

### **A. 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 for the Notes to be admitted to its Official List of the Irish Stock Exchange 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, as the case may be, 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 or levied by or on behalf of Ireland or Spain or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may in certain circumstances 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.

### ***Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes***

The U.S. Hiring Incentives to Restore Employment Act (the "**HIRE Act**") imposes a 30% withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant provisions of the HIRE Act to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation and Disclosure of Information in Connection with Payments - Hiring Incentives to Restore Employment Act*"

### ***U.S. Foreign Account Tax Compliance Act Withholding***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or "**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligation under the Notes is discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer or registered holder of the Notes), and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Prospective investors should refer to the section "*Taxation and Disclosure of Information in Connection with Payments - Foreign Account Tax Compliance Act*".

### ***Withholding under the EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

***The Council of the European Union has adopted a bank recovery and resolution directive which is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes.***

On 6 May 2014, the Council of the European Union adopted a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”). The BRRD was published in the Official Journal of the EU on 12 June 2014 and will come into force on 1 January 2015. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including the Notes to equity (the general bail-in tool), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is implemented, holders of Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Guarantor to satisfy its obligations under the Guarantee.

## ***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.

Notes that are linked to a reference item and/or the obligations of a Reference Entity (as defined below) may be principal (or capital) protected or non-principal (or capital) protected at maturity. Investors in Notes which are not principal (or capital) protected may risk losing their entire investment (including the loss of any transaction costs paid by the investor) if the value of the reference item and/or obligation of a Reference Entity does not move in the anticipated direction. If the Notes are specified in the Applicable Transaction Terms as having a minimum redemption amount, such Notes are principal (or capital) protected at maturity only and only to such extent. If Notes are redeemed or sold before their scheduled maturity or expiration, they may return less than the minimum redemption amount, the amount invested or even zero. In addition amounts payable may be subject to deductions for taxes or expenses.

Investors should note that certain Notes linked to the performance of the reference items or obligations of the Reference Entity, as the case may be, may not benefit from a minimum redemption amount or minimum cash settlement amount and investors may receive less than the initial investment amount of the Notes and investors are exposed to the full loss of their investment (including the loss of any transaction costs paid by the investor).

### ***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;
- (vi) where the reference item(s) is/are credit linked, the creditworthiness of the specified reference entity or entities; and
- (vii) 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.

### *General risks relating to Credit Linked Notes*

The Issuer may issue Credit Linked Notes where the amount of principal and/or interest payable is dependent upon whether certain events (each a "**Credit Event**") have occurred in respect of one or more specified entities (a "**Reference Entity**") and, if so, on the value of certain specified assets ("**Reference Obligations**") of the Reference Entity or where, if such events have occurred, on redemption the Issuer's obligation is to deliver certain specified assets ("**Deliverable Obligations**"). In certain circumstances the Calculation Agent may determine Valuation Obligations in a similar manner to Deliverable Obligations. In such case, the Valuation Obligations, as determined by the Calculation Agent, would be used to determine the Final Price. All references in this section to Reference Obligations shall be deemed to include Valuation Obligations, as applicable.

Potential investors in Credit Linked Notes should be aware that, depending on the terms of the Credit Linked Notes, (i) they may receive no or a limited amount of interest, (ii) the occurrence of a Credit Event may result in an early redemption of their Notes, (iii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected, and (iv) they may lose all or a substantial portion of their investment.

There may exist at times only small or no markets for the Notes and for the obligations of the Reference Entity to which the Notes are linked, resulting in low or non-existent volumes of trading in the Notes and such obligations, and therefore a lack of liquidity and price volatility of the Notes and such obligations.

In selecting any Reference Obligations hereunder, the Calculation Agent is under no obligation to the Noteholders or any other person and, provided that the obligation selected meets the applicable criteria (if any), is entitled, and indeed will endeavour, to select obligations with the lowest or highest price (depending on who is the buyer) of any obligations which meet such criteria. In making any selection, the Calculation Agent will not be liable to account to the Noteholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection.

In selecting any substitute Reference Entity, any Valuation Date, any Quotation Amount or any Valuation Time or in making any other selection in accordance with the terms of the Notes, the Calculation Agent is under no obligation to the Noteholders or any other person and provided that the relevant selection meets the criteria specified, the Calculation Agent will not be liable to account to the Noteholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection.

In addition, the Issuer, the Guarantor and their affiliates may, for their own account and for the account of customers, engage in any kind of transactions and other business directly or indirectly involving a Reference Entity and may act with respect to such business in the same manner as it would if the Notes had not been issued, regardless of whether any such action might have an adverse effect directly or indirectly on a Reference Entity. The Issuer and its affiliates may on the Issue Date of the Notes or at any time thereafter be in possession of information in relation to a Reference Entity that is or may be material in the context of the issue of Notes and that may not be publicly available or known to the purchasers. There is no obligation on the part of the Issuer, the Guarantor or their affiliates to disclose to the Noteholders any such relationship or information.

Upon the occurrence of a Credit Event, there is a risk of the loss of a substantial portion, or all, of the principal amount of the Notes. If a Credit Event Notice is served in connection with a Credit Event of a Reference Entity, the Notes may be subject to redemption at a price which may be at a considerable discount to par and could be zero. Prospective investors therefore risk losing all principal and interest on the Notes. Noteholders will have no right to vote or exercise any other right or remedy with respect to the Reference Entity(ies) or any of its obligations.

Not all of the Credit Events require an actual default with respect to the Reference Entity's(ies) obligations. Thus, Noteholders could bear losses based on deterioration in the credit of the Reference Entity(ies) short of a default, subject to the provisions set out in the Applicable Transaction Terms. In the case of Additional Credit Events if specified in the applicable Applicable Transaction Terms, including any Pass-Through Event, certain Credit Events may be due to events which are unrelated to the creditworthiness of the Reference Entity. Also, not all of the Credit Events are triggered by events which are easily ascertainable and disputes can and have arisen as to whether a specific event with respect to a Credit Event did or did not constitute a Credit Event. The Calculation Agent's good faith, commercially reasonable determination that a Credit Event has or has not occurred will be binding on the Noteholders. The Calculation Agent's view of whether a Credit Event has occurred may be different from the view of the Noteholders or other financial institutions, rating agencies or commentators.

In the event of a Credit Event, Noteholders may receive Deliverable Obligations which may be in default. In this case, under the terms of the Applicable Transaction Terms, the Issuer will be free to deliver any obligations of the Reference Entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Such obligations are likely to be in default at the time of delivery. Further, in selecting such obligations the Issuer will not be required to consider the interests of the Noteholders or mitigate the Noteholders' losses. The Issuer may have complete discretion to select the cheapest obligations of the Reference Entity so long as such obligations satisfy the requirements for a Deliverable Obligation.

The market price of Credit Linked Notes may be volatile and will be affected by, amongst other things, the time remaining to the maturity date and the creditworthiness of the Reference Entity which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

Where the Notes provide for physical delivery or where Auction Settlement is the applicable Settlement Method and physical delivery is the applicable Fallback Settlement Method (each as specified in the Applicable Transaction Terms), the Issuer may determine that the Deliverable Obligations are either (a) assets which for any reason (including, without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the delivery of assets which are loans) it is impossible or illegal to deliver on the Physical Settlement Date, or (b) assets which the Issuer and/or any affiliate has not received under the terms of any transaction entered into by the Issuer and/or such affiliate to hedge the Issuer's obligations in respect of the Notes. Any such determination may delay settlement in respect of the Notes and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount which, in either case, may affect the value of the Notes and, in the case of payment of a cash amount, will affect the timing of the valuation of such Notes and, as a result, the amount of the relevant amount payable on redemption. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Credit Linked Conditions in conjunction with the Applicable Transaction Terms.

Upon the occurrence of a Credit Event, the Issuer may, at its option, redeem the relevant Credit Linked Notes in which case 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 Deliverable Obligation(s) and, upon the payment of such amounts or the delivery of such Deliverable Obligation(s), any claims or rights of the Noteholders relating to payment shall be extinguished. 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.

If so specified in the Applicable Transaction Terms the Issuer may issue certain Portfolio Credit Linked Notes, Portfolio Maturity Settled Credit Linked Notes or first to default Credit Linked Notes. For each such type of Note more than one Reference Entity will be specified and a Noteholder takes credit risk in relation to each such Reference Entity. In the case of Portfolio Credit Linked Notes and Portfolio Maturity Settled Credit Linked Notes a relevant portion of each such Note will be affected by the occurrence of a Credit Event in relation to a relevant Reference Entity and interest, if any, in respect of the Notes will reduce as a result. In the case of Portfolio Credit Linked Notes a partial redemption in cash or by delivery of relevant deliverable obligations may be made as each relevant Credit Event occurs, while in the case of Portfolio Maturity Settled Credit Linked Notes amounts in respect of each Credit Event, if any, will be payable at maturity. In the case of first to default Credit Linked Notes, the first Reference Entity in respect of which a Credit Event occurs will lead to redemption of the Notes on the basis described above as though such Notes were Credit Linked Notes relating to a single Reference Entity. It should also be noted that in the case of first to default Credit Linked Notes, the Calculation Agent may in certain circumstances select a substitute Reference Entity which would not otherwise be a successor to the affected Reference Entity but meets certain industry, credit spread and geographical requirements.

The Issuer's obligations in respect of Credit Linked Notes are irrespective of the existence or amount of the Issuer's and/or any affiliates' credit exposure to a Reference Entity and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

The Issuer may vary the manner in which a particular series of Notes are redeemed, as specified in the Applicable Transaction Terms. At its sole and absolute discretion, it may elect not to pay the relevant Noteholders the Credit Event Redemption Amount or to deliver or procure delivery of the relevant Deliverable Obligations to the relevant Noteholders, as the case may be, and, in lieu thereof, deliver or procure the delivery of the relevant Deliverable Obligations or make payment of the Credit Event Redemption Amount on the Credit

Event Redemption Date to the relevant Noteholders. See Condition 7 (*Redemption, Purchase and Options*) and Credit Linked Condition 23 (*Variation of Settlement*).

In certain circumstances, in the event that the Calculation Agent is unable to identify a Substitute Reference Obligation prior to the Extension Date, the Issuer shall have the right on or after the Extension Date to early redeem the Notes at the Early Redemption Amount (determined by the Calculation Agent taking into account the creditworthiness of the Reference Entity at the time of early redemption) by notice to Noteholders which may have an adverse effect on the value of the Notes.

Pursuant to Credit Linked Condition 22, the Calculation Agent may from time to time amend any provision of the Credit Linked Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary or desirable to reflect or govern market practice for credit derivative transactions. Potential investors should be aware that ISDA's product steering committee for credit derivatives is consulting in relation to proposals to amend the 2003 ISDA Credit Derivatives Definitions (the "**Definitions**"). It is anticipated that these amendments will be introduced via a protocol (the "**Protocol**") that would allow the new terms to apply generally notwithstanding specific incorporation into trades. It is anticipated however that the Protocol would allow parties to apply some, but not all, of the proposed changes to existing trades. As a consequence, it is possible that the terms of any credit derivative transactions entered into by the Issuer and/or its Affiliates to hedge the Issuer's obligations in respect of the Credit Linked Notes may be amended to partially or fully reflect the Definitions in their amended form and the Calculation Agent may exercise its discretion under Credit Linked Condition 22 to amend the terms of the Credit Linked Conditions (as applicable to any Series of Credit Linked Notes) to reflect such amendments to the hedging arrangements related to such Credit Linked Notes. The extent to which a Credit Linked Note will be affected cannot be determined at this time, but investors should make themselves aware of the terms of the proposed amended Definitions and future publications by ISDA relating to the Definitions.

Whilst there are many similarities between the terms used in this Listing Particulars (in particular, in the Credit Linked Conditions) and the terms used in the Definitions (as supplemented from time to time) there are many substantial differences and a prospective investor should understand that the complete terms and conditions of the Notes are as set out in this Listing Particulars and the Applicable Transaction Terms and that the Definitions are not incorporated by reference herein.

#### ***Risks relating to Auction Settlement of Credit Linked Notes***

(i) Auction Settlement

Where the Settlement Method specified in the Applicable Transaction Terms in respect of a Series of Notes is Auction Settlement and an Auction Final Price Determination Date occurs, the Auction Final Price will be determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Auction Final Price determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the relevant Reference Obligation. The Issuer and the Noteholders may have little or no influence in the outcome of any such auction.

(ii) Auction Final Price and the Issuer's ability to influence the Auction Final Price

If the Notes are redeemed following the occurrence of a Credit Event, the amount payable in respect of the Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms. There is a possibility that the Issuer, the Calculation Agent or one of their affiliates would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations or Valuation Obligations, as applicable. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), neither the Calculation Agent nor any of its affiliates shall be under an obligation to consider the interests of any Noteholders.

(iii) Role of the Credit Derivatives Determinations Committee

In respect of a Credit Event relating to a Credit Linked Note, prospective purchasers should note that the Credit Derivatives Determinations Committee has the power to make binding decisions on critical issues such as whether a Credit Event has occurred, which obligations are to be valued and whether an auction should take place in accordance with and as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof. Consequently, the payments on the Notes and the timing of any such payments may be affected by any such relevant decisions if Auction Settlement is specified as the applicable Settlement Method for a Series of Notes in the relevant Applicable Transaction Terms.

(iv) Any "Eligible Market Participant" is permitted to deliver a notice to ISDA pursuant to the Credit Derivatives Determinations Committees Rules

The Credit Derivatives Determinations Committees Rules provide that any "Eligible Market Participant", is permitted to deliver a notice to ISDA requesting that the Credit Derivatives Determinations Committee resolves certain matters in respect of a relevant credit derivatives transaction, including those as set out in the definitions of "Credit Event Resolution Request Date", "Repudiation/Moratorium Extension Condition" and "Succession Event Resolution Request Date" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) below. An Eligible Market Participant is any party that is a party to a credit derivatives transaction that has, or is deemed to have, incorporated the "2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions" or the "2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions" in a confirmation (which may include, where applicable, the Issuer, the Calculation Agent or one of their affiliates). The delivery of any such notice and any subsequent resolution made by the Credit Derivatives Determinations Committee may affect the rights of Noteholders to receive payments of interests and principal under the relevant Notes, including a reduction in those payments and/or such payments being made on a date which is earlier or later than would otherwise be the case. Subject to regulatory obligations, none of the Issuer or the Calculation Agent or any of its affiliates will take into account interests of Noteholders if acting as an Eligible Market Participant.

(v) Credit Event and Succession Event Backstop Dates

In respect of a Credit Event relating to a Series of Credit Linked Notes, a Credit Event will not be determined by the Credit Derivatives Determinations Committee unless a request is submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event within sixty (60) calendar days of the occurrence of such potential Credit Event unless a Credit Event Determination Date has already occurred with respect to such event. For Succession Events the look-back period is ninety (90) calendar days and functions similarly. These provisions mean that there is a time limit on the ability to act on a Credit Event or Succession Event and that it is possible that the Notes could be affected by a Credit Event or Succession Event that took place prior to the Trade Date if Auction Settlement is specified as the applicable Settlement Method for a Series of Notes in the relevant Applicable Transaction Terms.

(vi) Settlement Suspension, Adjustments and Interest Provisions

The Credit Linked Conditions provide that, if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of Credit Event Determination Date but prior to the Physical Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to determine the occurrence of a Credit Event have been met, the Calculation Agent may at its option determine that the applicable timing requirements of the Credit Linked Conditions and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other Credit Linked Condition as determined by the Calculation Agent in its sole discretion, shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has resolved (a) that a Credit Event has or has not occurred or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has made such resolution, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

In the event of any such Suspension Period, the Calculation Agent may make (i) such consequential or other adjustment(s) or determination(s) to or in relation to the Credit Linked Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (ii) determine the effective date of such adjustment(s) or determination(s).

In the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated in accordance with Note Condition 6 (*Interest Provisions*) and the Credit Linked Conditions provided that:

- (a) if a Suspension Period falls in any one or more Interest Period(s), then no interest shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
  - (b) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until after the end of the Suspension Period.
- (vii) Amendment of Credit Linked Conditions in accordance with the terms of the Notes

In addition to any amendments the Calculation Agent may make from time to time to the provisions of the Credit Linked Conditions in accordance with market convention (described above), the Credit Linked Conditions themselves contain certain provisions which permit the Calculation Agent in certain circumstances to make certain adjustments to such Credit Linked Conditions. Such adjustments may affect both payments made to Noteholders under the Notes and the timing of any such payments.

- (viii) Failure to deliver an Asset Transfer Notice in respect of physically settled Credit Linked Notes

Where, in respect of any Credit Linked Notes, Physical Settlement is specified as the relevant Settlement Method or applies as the relevant Fallback Settlement Method, and a Noteholders does not deliver a valid Asset Transfer Notice as contemplated under the Credit Linked Conditions, the Issuer may, but is not required to, elect to deliver to the relevant clearance system(s) the aggregate Asset Amount in respect of such Notes, to be divided between and delivered to the relevant Noteholders by the relevant clearance system(s) in accordance with the rules of the relevant clearance system(s) but no assurance is given as to the effect of such rules or other clearance system practices for any such Noteholders.

#### *Settlement Disruption Event and Failure to Deliver due to Illiquidity*

In the case of Credit Linked Notes which are physically settled if all or some of the Deliverable Obligations included in the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 65th Business Day following the Physical Settlement Date, failing which the Issuer shall give notice to the Noteholders and shall pay in respect of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

#### ***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 laws and regulations and their application and interpretation 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**

***Risks related to the Spanish withholding tax regime***

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.

***Change of law***

The Spanish government has published a bill for the law on ordination, supervision and solvency of credit institutions regulating the tax treatment applicable to securities such as the Notes. The current wording of such a draft has no impact on the Offering Circular. However, it is not possible to predict at this point whether the definitive wording will be modified.

## **Risks Relating to the Insolvency Law**

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 ("**Law 22/2003**" or the "**Insolvency Law**"), which came into force on 1 September 2004 supersedes all pre-existing Spanish provisions which regulated the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of its credits.

Law 22/2003 provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days), (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to 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 asset subject to the security) shall become subordinated.

Due to the deterioration of the Spanish economy, Law 38/2011 of 10 October has recently implemented certain amendments to the Insolvency Law which, in certain instances, have the effect of modifying or impairing creditors' rights.

### **B. Risks in relation to the Issuer and the Guarantor**

#### **1. 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 Irish Circuit Court or High Court (as appropriate) (each a "Court") when at least one class of creditors has voted in favour of the proposals and the 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 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 Court) will take priority over the amounts secured or unsecured owing to the Noteholders

## **2. Macro-Economic Risks**

***Because 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's financial condition.***

The Group's loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At 31 December 2013, Continental Europe accounted for 40% of the Group total loan portfolio (Spain accounted for 24% of the Group's total loan portfolio), while the United Kingdom (where the loan portfolio consists primarily of residential mortgages) and Latin America accounted for 35% and 20%, respectively. Accordingly, the recoverability of these loan portfolios in particular, and the Group ability to increase the amount of loans outstanding and the Group's 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. A return to recessionary conditions in the economies of Continental Europe (in particular, Spain), in the United Kingdom or the Latin American countries in which the Group operates, would likely have a significant adverse impact on the Group's loan portfolio and, as a result, on the Group's financial condition, cash flows and results of operations.

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

In the past six years, 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 of the countries in which the Group operates fell into recession and some countries have only recently begun to recover and this recovery may not be sustainable. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced, and some continue to experience, 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, the Group faces, among others, the following risks related to the economic downturn:

- Increased regulation of the Group's industry. Compliance with such regulation will increase the Group's costs and may affect the pricing for its products and services and limit the Group ability to pursue business opportunities.

- Reduced demand for the Group's products and services.
- Inability of the Group's borrowers to timely or fully comply with their existing obligations.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact the Group's financial condition and results of operations.
- Macroeconomic shocks may negatively impact the household income of the Group's retail customers and may adversely affect the recoverability of the Group's retail loans, resulting in increased loan losses.

Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly. Such economic uncertainty could have a negative impact on the Group's business and results of operations. Investors remain cautious. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Group and on others in the financial services industry.

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

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

***The Group may suffer adverse effects as a result of the ongoing economic and sovereign debt tensions in the Eurozone.***

The Group results of operations are materially affected by conditions in the capital markets and the economy generally in the Eurozone, which, although improving recently, continue to show signs of fragility and volatility and limited access to capital markets. 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 and 2013 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. A significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations that 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 destabilized, resulting in the further spread of the ongoing economic crisis.

The continued high cost of capital for some European governments has impacted 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.

The Group has direct and indirect exposure to financial and economic conditions throughout the Eurozone economies. A deterioration of the economic and financial environment 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 the Group operating results, financial position and prospects.

***Exposure to sovereign debt could have a material adverse effect on the Group.***

Like many other banks, the Group invests in debt securities of governments in the geographies in which the Group operates, including debt securities of the countries that have been most affected by the deterioration in economic conditions, such as Spain, Portugal, Italy and Ireland. Although doubts remain about the solvency of certain countries, the implementation of new regulations by the European Banking Authority may have reduced the risk associated with the sovereign debt of such countries. A failure by any such government to make timely payments under the terms of these securities, or a significant decrease in their market value, could have a material adverse effect on the Group

***The Group 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 experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends.

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.

### **3. Risks in relation to the Guarantor and the Group Business**

#### ***Legal, Regulatory and Compliance Risks***

***The Group is exposed to risk of loss from legal and regulatory proceedings.***

The Group faces risk of loss from legal and regulatory proceedings, including tax proceedings that could subject the Group to monetary judgments, regulatory enforcement actions, fines and penalties. The current regulatory environment in the jurisdictions in which the Group operates reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

The Group is from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of its business, including in connection with conflicts of interest, 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 the early stages of discovery, the Group 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. The Group believes that it has 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 the Group 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 the Group. As a result, 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 its level of income for that period.

***The Group is subject to substantial regulation which could adversely affect its business and operations.***

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

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

Changes in regulations may also cause the Group to face increased compliance costs and limitations on its 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 the Group operates, it 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 the Group's business and results of operations.

Extensive legislation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Group's business, including Spain, the United States, the European Union, Latin America 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 with the recommendations to increase capital requirements for certain trading instruments or exposures and to impose compensation limits on certain employees located in affected countries. In addition, the European Union Commission is considering 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.

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 from 2018 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 ("**CRD IV**") & Capital Requirements Regulation ("**CRR**") legislative package. CRD IV was published in the Official Journal on 27 June 2013 entered into force in July 2013 (being CRR applicable

from January 2014), with particular requirements being phased in over a period of time, to be effective by 2019, although requirements relating to certain deductions from Common Equity Tier 1 could be delayed until 2024. CRD IV substantially reflects the Basel III capital and liquidity standards and facilitates the applicable implementation timeframes. However, certain issues continue to remain under discussion and certain details remain to be clarified in further binding technical standards to be issued by the European Banking Authority.

In addition to the changes to the capital adequacy framework published in December 2010 and June 2011 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 Basel III liquidity standards are being implemented within the European Union through the CRD IV legislative package. In January 2014 the Basel Committee published amendments to the Leverage Ratio and technical revisions to the NSFR ratio, confirming that it remains the intention that the latter ratio, including any future revisions, will become a minimum standard by 1 January 2018. Also, in January 2014, the Basel Committee proposed uniform disclosure standards related to the LCR and issued a new modification to the ratio, which should be adopted by banks from 1 January 2015.

As a Spanish financial institution, the Bank is subject to CRD IV, through which the European Union has implemented the Basel III capital standards and which are in the process of being phased in until 1 January 2019. The CRR is applicable from 1 January 2014 and the CRD IV Directive has already been partially implemented in Spain as of 1 January 2014 by RD-L 14/2013. This Royal Decree-Law has repealed, with effect from 1 January 2014, any Spanish regulatory provisions that may be incompatible with CRR.

In addition to RD-L 14/2013, the Bank of Spain approved on 31 January 2014 its new Circular 2/2014, which derogates its previous Circular 7/2012, and makes certain regulatory determinations contained in CRR pursuant to the delegation contained in RD-L 14/2013, including, relevant rules concerning the applicable transitional regime on capital requirements and the treatment of deductions.

Despite the CRD IV/Basel III framework setting minimum transnational levels of regulatory capital and a measured phase-in, many national authorities have started a race to the top for capital by adopting requirements and interpretation calendars that are more stringent than Basel III's.

For example, in the last three years the Bank of Spain and the European Banking Authority (the EBA) have imposed new capital requirements in advance of the entering into force of CRD IV. These measures have included Bank of Spain Circular 3/2008 (Circular 3/2008) of 22 May, on the calculation and control of minimum capital requirements, which was amended by Bank of Spain Circular 4/2011 (Circular 4/2011) and implements Capital Requirements Directive III in Spain. In addition, some of the requirements of Basel III were already implemented by the Spanish Government in 2011 with Royal Decree-Law 2/2011 (RD-L 2/2011) of 18 February (as amended by Law 9/2012) which established a new minimum requirement in terms of capital on risk-weighted assets (Capital Principal) and required such capital to be greater than 9 per cent from 1 January 2013. RD-L 14/2013 specifically repealed, with effect from 1 January 2014, Title I of Royal Decree-Law 2/2011, which imposed the minimum Capital Principal requirement for credit institutions. Notwithstanding such repeal, as part of the assessment of additional capital requirements that could be required of credit institutions, the Bank of Spain has been given powers to stop or restrict, until 31 December 2014, any distributions of Tier 1 Capital which would have been caught by the minimum Capital Principal requirements stipulated in RD-L 2/2011, provided such distributions, accumulated over the year ended 31 December 2014, exceed in absolute terms the minimum Capital Principal legally required as at 31 December 2013 and further risk non-compliance with additional capital requirements that could be required by the Bank of Spain.

Furthermore, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including the Bank) based on data available as of 30 September 2011, the EBA issued a recommendation on 8 December 2011 pursuant to which, on an exceptional and temporary basis, financial institutions based in the EU should reach a new minimum Core Tier 1 ratio (9 per cent.) by 30 June 2012. This recommendation has been replaced by the EBA recommendation of 22 July 2013 on the preservation of Core Tier 1 capital during the transition to CRD IV. This new recommendation provides for the maintenance of a nominal floor of capital denominated in the relevant reporting currency of Core Tier 1 capital corresponding to the amount of capital

needed as at 30 June 2012 to meet the requirements of the above recommendation of 8 December 2011. Competent authorities may waive this requirement for institutions which maintain a minimum of 7 per cent of common equity Tier 1 capital under CRD IV rules applied after the transitional period.

In addition, in order to complete the implementation of CRD IV initiated by RD-L 14/2013, the Spanish Ministry of Economy and Competitiveness has prepared and recently published a draft of a new comprehensive law on the supervision and solvency of financial institutions (the Supervision and Solvency Law), that has been already approved by the Spanish Council of Ministers and is being reviewed in order to be approved by the Spanish Parliament.

There can be no assurance that the implementation of these new standards will not adversely affect the Bank's ability to pay dividends or require it to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Bank's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Bank's return on equity and other financial performance indicators.

Finally, in February 2014 the IMF recommended that the Bank of Spain limit the amount of dividends payable in cash in 2014 by Spanish banking institutions to 25% of such bank's attributable profits. The Bank of Spain has given this recommendation to the Spanish banking institutions.

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

Prospective holders of the Notes are advised to seek their own professional advice in relation the FTT.

The Spanish Government approved on 3 February 2012 the Royal Decree-Law 2/2012 and Law 8/2012, of 20 October 2012, on the clean-up of the financial sector (replacing Royal Decree-Law 18/2012, of 11 May 2012), 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.

The Spanish Government also approved Law 9/2012, of 14 November 2012 which established a new regime on restructuring and resolution of credit institutions and a statutory loss absorbency regime applicable within the framework of restructuring and resolution processes, both based on the legislative proposal for a directive providing for the establishment of an European Union wide framework for the recovery and resolution of credit institutions and investment firms, the first draft of which (and the draft upon which Law 9/2012 was based) was published by the European Commission on 6 June 2012.

In June 2012, a number of agreements were reached to reinforce the monetary union, including the definition of a broad roadmap towards a single banking and fiscal union. While support for a banking union in Europe is strong and significant advances have been made in terms of the development of a single-rule book through CRD IV, there is ongoing debate on the extent and pace of integration. On 13 September 2012, the European Parliament approved a proposal for the creation of the Single Supervisory Mechanism, so that 128 of the largest EU banks (including the Bank) will come under the ECB direct oversight from November 2014. The ECB comprehensive assessment includes a supervisory risk assessment, an asset quality review and a stress test to be conducted by national supervisors and the ECB in coordination with the EBA before the ECB becomes the single European bank supervisor in November 2014. The assessment is an important step in preparing the single supervisory mechanism and, more generally, towards bringing about greater transparency of the banks' balance sheets and consistency of supervisory practices in Europe. The assessment started in November 2013 and will

take 12 months to complete, ending in October 2014. The comprehensive assessment consists of three closely interlinked components:

- a supervisory risk assessment – to review, quantitatively and qualitatively, key risks, including liquidity, leverage and funding;
- an asset quality review (AQR) – to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions;
- a stress test – to examine the resilience of banks' balance sheets to stress scenarios

The assessment will be based on a capital benchmark of 8% Common Equity Tier 1 on the basis scenario and 5.5% in a stress scenario, drawing on the definition of the Capital Requirements Directive IV/Capital Requirements Regulation, including transitional arrangements, for both the AQR and the baseline stress test scenario.

Other open issues include the representation and voting power of non-eurozone countries, the accountability of the ECB to European institutions as part of the Single Supervision Mechanism, the final status of the EBA, the development of a new bank resolution regime and the creation of a common deposit-guarantee scheme. In particular, the Bank Recovery and Resolution Directive ("**BRRD**") and the Deposit Guarantee Schemes Directive were submitted to the European Parliament in June 2013. They have been approved by the European Parliament on 15 April 2014 and by the European Council on 6 May 2014 and have been published on 12 June 2014. The BRRD is expected to enter into force in 2015, but the bail-in tool will only be operational from 2016. The final regulation on direct recapitalization by the European Stability Mechanism is still pending. European leaders have also supported the reinforcement of the fiscal union but continue negotiating on how to achieve it.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its future capacity as the Bank's main supervisory authority may have a material impact on the Bank's business, financial condition and results of operations.

On 29 January 2014, the European Commission, taking into account the October 2002 report by the High Level Expert Group chaired by Erkki Liikanen on the reform of the structure of the EU Banking Sector, proposed new rules to prevent the largest and most complex EU banks with significant trading activities (including the Group) from engaging in the activity of proprietary trading in financial instruments and commodities. The new proposed regulation would also grant supervisors the power and, in certain instances, the obligation to require the transfer of other high-risk trading activities (such as market-making, complex derivatives and securitization operations) to separate legal trading entities within their group ("subsidiarisation"). Notwithstanding this, banks would have the possibility of not separating activities if they can show to the satisfaction of their supervisor that the risks generated are mitigated by other means. The proposal would also provide rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group. Furthermore, the proposal is also aimed at increasing transparency of certain transactions in the shadow banking sector.

The European Parliament approved the following dossiers in April 2014 to develop a European Banking Union.

- The proposal for a Bank Recovery and Resolution Directive ("**BRRD**") was also approved by ECOFIN on 6 May 2014. The BRRD is the single rulebook for the resolution of banks and large investment firms in all EU Member States. It harmonizes and upgrades the tools for dealing with bank crises across the EU. Banks will be required to prepare recovery plans to overcome financial distress, while authorities will lay out plans to resolve failed banks in a way which preserves their most critical functions and avoids taxpayer-funded bailouts. Authorities are granted a set of powers to intervene in the operations of banks to help prevent failure. If they do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a clearly defined hierarchy.
- The agreement with the EU Council on the Single Resolution Mechanism (SRM) is expected to be approved by the Parliament in July or September 2014. The agreement includes the creation of a Single Resolution Fund (SRF) which will be fully endowed in a maximum of eight years. It is expected that the agreement between governments will be signed in May 2014 and approved by national parliaments by year end. The SRM will complement the Single Supervisory Mechanism (SSM) and will ensure that, if a bank subject to the SSM faces serious difficulties, its resolution can be managed efficiently

with minimal costs to taxpayers and the real economy. The SRM will apply to all banks in the Euro Area and other Member States that choose to participate. The division of powers between the Single Resolution Board and national resolution authorities broadly follows the division of supervisory powers between the ECB and national supervisors in the context of the Single Supervisory Mechanism.

The Single Resolution Fund will be financed with contributions from all banks in the participating Member States. It will be administrated by the Board. The Fund has a target level, to be reached over eight years, of € 55 billion and can borrow from the markets by order of the Board. During the transition, the Fund will be divided among national compartments whose resources will be progressively mutualized, starting with 40% of funds in the first year. The Fund and decision making on its use is regulated by the SRM Regulation, while the transfer of contributions raised nationally towards the Single Fund and the mutualization of the national compartments is set out in an inter-governmental agreement established among the participating Member States.

- The proposal for recast Directive on Deposit Guarantee Schemes (DGS) ensures that depositors will continue to benefit from a guaranteed coverage of € 100,000 in case of bankruptcy backed by funds to be collected in advance from the banking sector. In principle, the target level for ex ante funds of DGS is 0.8% of covered deposits (i.e. about € 55 billion) to be collected from banks over a 10-year period. Repayment deadlines will be gradually reduced from the current 20 working days to 7 working days in 2024. The new Directive will require that better information be provided to depositors to ensure that they are aware of how their deposits are protected by the guarantee schemes.

Regulations adopted on structural measures to improve the resilience of EU credit institutions may have a material impact on the Bank's business, financial condition and results of operations. These regulations, if adopted, may also cause the Group to invest significant management attention and resources to make any necessary changes.

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 the Group offers, the creation of a structure to regulate systemically important financial companies, more comprehensive regulation of the over-the-counter derivatives market, prohibitions on engagement in certain proprietary trading activities and restrictions on ownership of, investment in or sponsorship of hedge funds and private equity funds, restrictions on the interchange fees earned 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 are required to register with the CFTC, and are or will be subject to new capital, margin, business conduct, recordkeeping, clearing, execution, reporting and other requirements Banco Santander, S.A. and Abbey National Treasury Services plc became provisionally registered as swap dealers with the CFTC on 8 July 2013 and 4 November 2013, respectively. In addition, the Group may register one more subsidiary as swap dealer with the CFTC.

In July 2013, the U.S. bank regulators issued the U.S. Basel III final rules implementing the Basel III capital framework for U.S. banks and bank holding companies and other U.S. capital reform. Certain aspects of the U.S. Basel III final rules, such as new minimum capital ratios and a revised methodology for calculating risk-weighted assets, will become effective on 1 January 2015. Other aspects of the U.S. Basel III final rules, such as the capital conservation buffer and the new regulatory deductions from and adjustments to capital, will be phased in over several years beginning on 1 January 2015.

In addition, the Board of Governors of the Federal Reserve System (the "Federal Reserve") and other U.S. regulators issued for public comment in October 2013 a proposed rule that would introduce a quantitative liquidity coverage ratio requirement on certain large banks and bank holding companies. The proposed liquidity coverage ratio is broadly consistent with the Basel Committee's revised Basel III liquidity rules, but is more stringent in several important respects. The Federal Reserve has also stated that it intends, through future rulemakings, to apply the Basel III liquidity coverage ratio and net stable funding ratio to the U.S. operations of some or all large foreign banking organizations ("FBOs").

In February 2014, the Federal Reserve approved a final rule to enhance its supervision and regulation of the U.S. operations of FBOs such as the Group. Under the Federal Reserve's rule, FBOs with \$50 billion or more in U.S. assets held outside of their U.S. branches and agencies ("Large FBOs") will be required to create a separately capitalized top-tier U.S. intermediate holding company ("IHC") that will hold substantially all of the FBO's U.S. bank and nonbank subsidiaries, such as Santander Bank, N.A. An IHC will be subject to U.S. risk-based and leverage capital, liquidity, risk management, stress testing and other enhanced prudential standards on a consolidated basis. Under the final rule, a Large FBO that is subject to the IHC requirement may request permission from the Federal Reserve to establish multiple IHCs or use an alternative organizational structure. The final rule also permits the Federal Reserve to apply the IHC requirement in a manner that takes into account the separate operations of multiple foreign banks that are owned by a single Large FBO. Although U.S. branches and agencies of a Large FBO will not be required to be held beneath an IHC, such branches and agencies will be subject to liquidity, and, in certain circumstances, asset maintenance requirements. Large FBOs generally will be required to establish IHCs and comply with the enhanced prudential standards beginning 1 July 2016. An IHC's compliance with applicable U.S. leverage ratio requirements is generally delayed until 1 January 2018. FBOs that have \$50 billion or more in non-branch/agency U.S. assets as of 30 June 2014 will be required to submit an implementation plan by 1 January 2015 on how the FBO will comply with the IHC requirement. Enhanced prudential standards will apply to the Group's top-tier U.S.-based bank holding companies beginning on 1 January 2015 until the Group forms or designates an IHC and the IHC becomes subject to corresponding enhanced prudential standards. The Federal Reserve has stated that it will issue, at a later date, final rules to implement certain other enhanced prudential standards under the Dodd-Frank Act for large bank holding companies and large FBOs, including single counterparty credit limits and an early remediation framework.

Within the Dodd-Frank Act, the Volcker Rule prohibits "banking entities" from engaging in certain forms of proprietary trading or from sponsoring or investing in certain covered funds, in each case subject to certain limited exceptions. The Volcker Rule became effective on 21 July 2012 and on 10 December 2013, U.S. regulators issued final rules implementing the Volcker Rule. The final rules also limit the ability of banking entities and their affiliates to enter into certain transactions with such funds with which they or their affiliates have certain relationships. The final rules contain exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations as well as certain foreign government obligations, trading solely outside the United States, and also permits certain ownership interests in certain types of funds to be retained. The final rules implementing the Volcker Rule extended the period for all banking entities to conform to the Volcker Rule and implement a compliance program until 21 July 2015, and additional extensions are possible. Banking entities must bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the conformance period. The Group is assessing how the final rules implementing the Volcker Rule will affect the Group's businesses and are developing and implementing plans to bring affected businesses into compliance.

Furthermore, Title I of the Dodd-Frank Act and the implementing regulations issued by the Federal Reserve and the Federal Deposit Insurance Corporation ("FDIC") require each bank holding company with assets of \$50 billion or more, including the Group, to prepare and submit annually a plan for the orderly resolution of the Group's subsidiaries and operations that are domiciled in the United States in the event of future material financial distress or failure. The plan must include information on resolution strategy, major counterparties and interdependencies, among other things, and requires substantial effort, time and cost. The Group submitted its U.S. resolution plan in December 2013. The resolution plan is subject to review by the Federal Reserve Board and the FDIC.

Each of these aspects of the Dodd-Frank Act, as well as others, may directly and indirectly impact various aspects of the Group's business. The full spectrum of risks that the Dodd-Frank Act, including the Volcker Rule, poses to the Group is not yet known, however, such risks could be material and the Group could be materially and adversely affected by them.

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

The Group 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 the Group operates, it 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 its business and results of operations.

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

The Group is required to comply with applicable anti-money laundering, anti-terrorism and other laws and regulations in the jurisdictions in which the Group operates. These laws and regulations require the Group, 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 the Group has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and related activities, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group fails to fully comply with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on the Group, including the revocation of licenses. In addition, the Group's business and reputation could suffer if customers use its banking network for money laundering or illegal or improper purposes.

In addition, while the Group reviews relevant counterparties' internal policies and procedures with respect to such matters, we, to a large degree, relies upon its relevant counterparties to maintain and properly apply its own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and the Group relevant counterparties') services as a conduit for money laundering (including illegal cash operations) without the Group (and the Group relevant counterparties') knowledge. If the Group is associated with, or even accused of being associated with, or become a party to, money laundering, then the Group's reputation could suffer and/or the Group 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 the Group), any one of which could have a material adverse effect on the Group operating results, financial condition and prospects.

***Changes in taxes and other assessments may adversely affect the Group.***

The legislatures and tax authorities in the tax jurisdictions in which the Group operates regularly enact reforms to the tax and other assessment regimes to which the Group and its 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 cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon the Group's business.

***Financial Reporting and Control Risks.***

***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 the Group's consolidated financial statements. These changes can materially impact how the Group records and reports the financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

***The Group financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of the Group 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 recognized in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's 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 the Group's operations and financial position could be materially misstated if the estimates and assumptions used prove to be inaccurate.

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

The preparation of the Group's tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities. The Group is subject to the income tax laws of Spain and certain foreign countries. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution, is reached. In establishing a provision for income tax expense and filing returns, the Group must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions the Group uses in preparing its tax returns are subsequently found to be incorrect, there could be a material effect on its results of operations.

***Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of fraud.***

Disclosure controls and procedures over financial reporting are designed to reasonably assure that information required to be disclosed by the company in reports filed or submitted under the Securities Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

These disclosure controls and procedures have inherent limitations which include the possibility that judgments in decision-making can be faulty and that breakdowns occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by any unauthorized override of the controls. Consequently, the Group 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 the Group takes to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

***Liquidity and Financing Risks***

***Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group.***

Liquidity risk is the risk that the Group either does not have available sufficient financial resources to meet its 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 the Group implements 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 the Group's business, and extreme liquidity constraints may affect the Group's 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 the Group's ability to access capital and liquidity on financial terms acceptable to the Group.

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

If wholesale markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays 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 its ability to access liquidity and cost of funding (whether directly or indirectly).

The Group relies, 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 the control of the Group, 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 the Group's 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 the Group's operating results, financial condition and prospects.

The Group anticipates that its customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and the Group intends to maintain its 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 the Group in the future if deposits are not made in the volumes the Group expects or are not renewed. If a substantial number of the Group depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group may be materially and adversely affected.

The Group cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, the Group 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, the Group could be materially adversely affected.

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

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

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

Banco Santander, S.A.'s long-term debt is currently rated investment grade by the major rating agencies—Baa1 by Moody's, BBB+ by S&P, A- by Fitch, A by DBRS and Scope Ratings and A+ by GBB-Rating— all of which have stable outlook, except for DBRS with a negative outlook.

During 2012, following downgrades of Spanish sovereign debt, Moody's, S&P and Fitch downgraded Banco Santander, S.A.'s rating 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 the fourth quarter of 2013 and first quarter of 2014 these three agencies revised the Group's outlook from negative to stable reflecting the gradual improvement of the Spanish economy and the view that any further weakening of the Group's credit profile was unlikely to be significant. In March 2014, Moody's upgraded the Group's rating from Baa2 to Baa1 following the upgrade of Spain's sovereign debt rating announced on 21 February 2014 along with the change of the outlook on Spain's rating to positive from stable. In May 2014, Fitch revised the Bank's long term debt rating from BBB+ to A- as a result of the improvement in Spain's sovereign debt rating announced in 25 April 2014. In June 2014, S&P improved the Bank's rating from BBB to BBB+ as a result of the improvement in Spain's sovereign debt rating announced on 23 May 2014.

Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A2 with negative outlook by Moody's, A with negative outlook by S&P and A with stable outlook by Fitch. All three agencies revised Santander UK's ratings during 2012 following the downgrades of the Spanish sovereign debt and remained unchanged in 2013. Negative outlooks by Moody's and S&P reflect the negative trend that they see for the U.K. banking industry.

The Group conducts substantially all of its material derivative activities through Banco Santander, S.A. and Santander UK. The Group estimates that as of 31 December 2013, if all the rating agencies were to downgrade Banco Santander, S.A.'s long-term senior debt ratings by one notch the Group 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. The Group estimates that as of 31 December 2013, 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 contractual outflows from Santander UK's total liquid assets of £7.6 billion of cash and additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two notch downgrade would result in an additional contractual outflow of £1.9 billion of cash and collateral under secured funding and derivatives contracts.

While certain potential impacts of these downgrades 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 the Group's 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 the Group's stress testing scenarios and a portion of its 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 Banco Santander, S.A., and/or its subsidiaries.

In addition, if the Group was required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, the Group's 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 the current ratings or outlooks. Failure to maintain favorable ratings and outlooks could increase the Group's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Group

### ***Risk Management***

***Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Group, and the Group may be exposed to unidentified or unanticipated risks.***

The management of risk is an integral part of the Group's activities. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk

mitigation techniques, such techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group qualitative tools and metrics for managing risk are based upon its use of observed historical market behavior. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks. The Group losses thus could be significantly greater than the historical measures indicate. In addition, the Group quantified modeling does not take all risks into account. The Group more qualitative approach to managing those risks could prove insufficient, exposing the Group to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could have a material adverse effect on its operating results, financial condition and prospects.

As a commercial bank, one of the main types of risks inherent in the Group's business is credit risk. For example, an important feature of the Group's 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, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, the Group's employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in the Group's exposure to higher credit risks than indicated by its risk rating system.

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

#### **Credit Risks**

***If the Group is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if the Group's loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on the Group***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Non-performing or low credit quality loans have in the past and can continue to negatively impact the Group's results of operations. The Group cannot assure you that it will be able to effectively control the level of the impaired loans in its total loan portfolio. In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of growth in its total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future, or factors beyond its control, such as adverse changes in the credit quality of the Group's 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.

The Group's current loan loss reserves may not be adequate to cover any increase in the amount of non-performing loans or any future deterioration in the overall credit quality of its total loan portfolio. The Group's loan loss reserves are based on its current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, the Group 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 the Group's control. As a result, there is no precise method for predicting loan and credit losses, and the Group cannot assure you that its loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of the Group's 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 the Group's estimates of incurred losses, the Group may be

required to increase its loan loss reserves, which may adversely affect the Group. If the Group was unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Group.

Mortgage loans are one of the Group's principal assets, comprising 53% of its loan portfolio as of 31 December 2013. As a result, the Group is exposed to developments in housing markets, especially in Spain and the United Kingdom. In addition, the Group has 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 also 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 of these and other factors, the Group's 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, to 3.89% at 31 December 2011 and to 4.54% at 31 December 2012. At 31 December 2013, the Group's NPL ratio was 5.64%. These trends, especially higher unemployment rates coupled with declining real estate prices, could have a material adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on the Group.***

The Group's 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 the Group's earning assets and could have a material adverse effect on the Group. The Group would also be required to amortize 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 the Group's funding obligations and reinvestment at lower yields. Prepayment risk is inherent to the Group's commercial activity and an increase in prepayments could have a material adverse effect on the Group.

***The value of the collateral securing the Group's loans may not be sufficient, and the Group may be unable to realize the full value of the collateral securing its loan portfolio.***

The value of the collateral securing the Group's loan portfolio may fluctuate or decline due to factors beyond its control, including macroeconomic factors affecting Europe, the United States and Latin American countries. The value of the collateral securing the Group's loan portfolio may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of the Group's 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 the Group's loan portfolio and could have an adverse impact on the economy of the affected region. The Group may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of the Group's loans secured by such collateral. If any of the above were to occur, the Group may need to make additional provisions to cover actual impairment losses of the Group's loans, which may materially and adversely affect its results of operations and financial condition.

***The Group is subject to counterparty risk in its banking business.***

The Group is exposed to counterparty risk in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Group or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, clearing houses or other financial intermediaries.

The Group 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 the Group enters into expose the Group to significant credit risk in the event of default by one of the Group's significant counterparties.

### **Market Risks**

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

Market risk refers to the probability of variations in the Group net interest income or in the market value of its 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 the Group's business:

- net interest income;
- the volume of loans originated;
- the market value of the Group's securities holdings;
- gains from sales of loans and securities; and
- gains and losses from derivatives.

Variations in short-term interest rates could affect the Group's net interest income, which comprises the majority of its revenue, reducing its growth rate and potentially resulting in losses. When interest rates rise, the Group may be required to pay higher interest on its floating-rate borrowings while interest earned on its fixed-rate assets does not rise as quickly, which could cause profits to grow at a reduced rate or decline in some parts of the Group's portfolio. Interest rates are highly sensitive to many factors beyond the Group's 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 the Group originates. 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 the Group's customers to prepay or refinance fixed-rate loans. Increases in interest rates may reduce the value of the Group's financial assets and may reduce gains or require the Group to record losses on sales of its loans or securities.

If interest rates decrease, although this is likely to reduce the Group's funding costs, it is likely to compress its net interest margins, as well as adversely impact its income from investments in securities and loans with similar maturities, which could have a negative effect on the Group. In addition, the Group 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 prevailing interest rates rise, which may have an adverse effect on the Group's earnings and financial condition. In addition, the Group may incur costs (which, in turn, will impact its results) as it implements 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.

The Group is 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 the Group's earnings and value of its assets and securities.

The Group is also exposed to equity price risk in connection with its trading investments in equity securities. The performance of financial markets may cause changes in the value of the Group's 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 the Group's 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 its results. To the extent any of these risks materialize, the Group's net interest income or the market value of its assets and liabilities could be materially adversely affected.

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

In the past six 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. The Group has material exposures to securities, loans 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 the Group's financial assets and these may also translate into increased impairments. In addition, the value ultimately realized by the Group on disposal may be lower than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on the Group's 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, the Group's valuation methodologies require the Group 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 the Group's operating results, financial condition and prospects.

***The Group is subject to market, operational and other related risks associated with the Group's derivative transactions that could have a material adverse effect on the Group.***

The Group enters into derivative transactions for trading purposes as well as for hedging purposes. The Group is subject to market, credit 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 the Group operates differ from each other. In addition, the execution and performance of these transactions depends on the Group's ability to maintain adequate control and administration systems and to hire and retain qualified personnel. Moreover, the Group's ability to adequately monitor, analyze and report derivative transactions continues to depend, to a great extent, on its information technology systems. This factor further increase the risks associated with these transactions and could have a material adverse effect on the Group.

### ***General Business and Industry Risks***

***The financial problems faced by the Group's customers could adversely affect the Group.***

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

***Changes in the Group's pension liabilities and obligations could have a material adverse effect on the Group.***

The Group provides retirement benefits for many of its former and current employees through a number of defined benefit pension plans. The Group calculates the amount of its 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 the Group's pension funds. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of the Group's defined benefit obligations and therefore on the amount of pension expense that its accrue.

Any increase in the current size of the deficit in the Group 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 the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of its business and reduce its capital resources. While the Group can control a number of the above factors, there are some over which the Group has no or limited control. Increases in the Group's pension liabilities and obligations could have a material adverse effect on its business, financial condition and results of operations.

***The Group depends in part upon dividends and other funds from subsidiaries.***

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

***Increased competition and industry consolidation may adversely affect the Group's results of operations.***

The Group faces substantial competition in all parts of its 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 the Group must now compete. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore its operations. The Group also faces 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 the Group increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Group, including its profitability. It may also negatively affect the Group's business results and prospects by, among other things, limiting the Group's ability to increase its customer base and expand the Group's operations and increasing competition for investment opportunities.

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

***The Group's ability to maintain its competitive position depends, in part, on the success of new products and services the Group offers its clients and the Group's ability to continue offering products and services from third parties, and the Group may not be able to manage various risks its faces as the Group expands its range of products and services that could have a material adverse effect on the Group.***

The success of the Group's operations and its profitability depends, in part, on the success of new products and services it offers its clients and its ability to continue offering products and services from third parties. However, the Group cannot guarantee that its new products and services will be responsive to client demands or successful once they are offered to the Group's clients, or that they will be successful in the future. In addition, the Group clients' needs or desires may change over time, and such changes may render its products and services obsolete, outdated or unattractive and the Group may not be able to develop new products that meet its clients' changing

needs. If the Group cannot respond in a timely fashion to the changing needs of its clients, the Group may lose clients, which could in turn materially and adversely affect the Group.

As the Group expands the range of its products and services, some of which may be at an early stage of development in the markets of certain regions where the Group operates, the Group will be exposed to new and potentially increasingly complex risks and development expenses. The Group's employees and risk management systems, as well as its experience and that of the Group's partners may not be sufficient or adequate to enable the Group to properly handle or manage such risks. In addition, the cost of developing products that are not launched is likely to affect the Group's results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on the Group.

Further, the Group's customers may issue complaints and seek redress if they consider that they have suffered loss from its products and services, for example, as a result of any alleged mis-selling or incorrect application of the terms and conditions of a particular product. This could in turn subject the Group to risks of potential legal action by the Group's customers and intervention by its regulators. The Group has in the past experienced losses due to claims of mis-selling in the U.K., Spain and other jurisdictions and may do so again in the future. For further detail on the Group's legal and regulatory risk exposures, please see the Risk Factor entitled "*The Group is exposed to risk of loss from legal and regulatory proceedings*".

***If the Group is unable to manage the growth of its operations this could have an adverse impact on its profitability.***

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. From time to time, the Group evaluates acquisition and partnership opportunities that the Group believes offer additional value to its shareholders and is consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and the Group's ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Any such integration entails significant risks such as unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims. The Group can give no assurances that the Group's expectations with regards to integration and synergies will materialize. The Group also cannot provide assurance that the Group will, in all cases, be able to manage its growth effectively or deliver the Group strategic growth objectives. Challenges that may result from its strategic growth decisions include its ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow the Group's 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 the Group's current information technology systems adequately with those of an enlarged group;
- apply the Group's 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 the Group's growth plans, could have a material adverse effect on its operating results, financial condition and prospects.

***The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel.***

The Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of its strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management, both at the Group's head office and at each of its business units. If the Group or one of its

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, the Group's 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 the Group's ability to hire or retain the most qualified employees. If the Group fails or is unable to attract and appropriately train, motivate and retain qualified professionals, its business may also be adversely affected.

***The Group relies on third parties for important products and services.***

Third party vendors provide key components of the Group's business infrastructure such as loan and deposit servicing systems, internet connections and network access. Third parties can be sources of operational risk to the Group, including with respect to security breaches affecting such parties. The Group may be required to take steps to protect the integrity of the Group's operational systems, thereby increasing its operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties, including as a result of their not providing the Group their services for any reason, their performing their services poorly, or employee misconduct, could adversely affect the Group's 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.

***Damage to the Group's reputation could cause harm to the Group's business prospects.***

Maintaining a positive reputation is critical to the Group's attracting and maintaining customers, investors and employees. Damage to the Group's reputation can therefore cause significant harm to its business and prospects. Harm to the Group's 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 the Group, whether or not true, may result in harm to its prospects.

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect the Group's 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 the Group and others in the financial services industry to decline.

The Group could suffer significant reputational harm if it fails to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as the Group expands its business activities through more numerous transactions, obligations and interests with and among its 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 the Group, or give rise to litigation or enforcement actions against the Group. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Group.

***The Group engages in transactions with its subsidiaries or affiliates that others may not consider to be on an arm's-length basis.***

The Group and its affiliates have entered into a number of services agreements pursuant to which it renders services, such as administrative, accounting, finance, treasury, legal services and others.

Spanish law provides for several procedures designed to ensure that the transactions entered into with or among the Group's financial subsidiaries and/or affiliates do not deviate from prevailing market conditions for those types of transactions.

The Group is likely to continue to engage in transactions with its affiliates. Future conflicts of interests between the Group and any of affiliates, or among its affiliates, may arise, which conflicts are not required to be and may not be resolved in the Group's favor.

## ***Technology Risks***

***Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group.***

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

***Risks relating to data collection, processing and storage systems are inherent in the Group business.***

The Group businesses depend on the ability to process a large number of transactions efficiently and accurately, and on the Group's ability to rely on its 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 the Group's computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Group's businesses and to its 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. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Although the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber-attacks, the Group routinely exchanges personal, confidential and proprietary information by electronic means, and the Group may be the target of attempted cyber-attacks. If the Group cannot maintain an effective data collection, management and processing system, the Group may be materially and adversely affected.

The Group takes protective measures and continuously monitors and develops its systems to protect the Group's technology infrastructure and data from misappropriation or corruption, but the Group's systems, software and networks nevertheless may be vulnerable to unauthorized 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 the Group 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, the Group may incur significant costs in its attempt to modify or enhance its protective measures or investigate or remediate any vulnerabilities.

***Failure to protect personal information could adversely affect the Group.***

The Group manages and holds confidential personal information of customers in the conduct of its banking operations. Although the Group has procedures and controls to safeguard personal information in the Group's possession, unauthorized disclosures could subject the Group to legal actions and administrative sanctions as well as damages that could materially and adversely affect its operating results, financial condition and prospects

## 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 2013 and 31 December 2012, together with the auditor's reports thereon;
- (2) the complete unaudited consolidated interim financial statements and interim directors' report for the Guarantor for the three month period ended 31 March 2014;
- (3) the audited financial statements of the Issuer for the years ended 31 December 2013 and 31 December 2012 together with the auditor's report thereon; and
- (4) the terms and conditions of the Notes set out on pages 7 to 9 of the supplement dated 31 March 2014 to the offering circular dated 29 July 2013 (the "**2014 Supplement**"), the terms and conditions of the Notes set out on pages 50 to 140 of the supplement dated 23 December 2013 to the listing particulars dated 29 July 2013 (the "**2013 Supplement**"), the terms and conditions set out on pages 47 to 163 of the base prospectus dated 29 July 2013 (the "**July 2013 Conditions**"), the terms and conditions set out on pages 34 to 151 of the base prospectus dated 25 March 2013 (the "**March 2013 Conditions**"), 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 Documents (1) above are available at:

[http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es\\_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html?pagename=CFWCSancomQP01%2FPage%2FCFQP01\\_PageAgrupEnlaces\\_PT14&cidSel=1278694828599&appID=santander.wc.CFWCSancomQP01&canal=CSCORP&empr=CFWCSancomQP01&leng=en\\_GB&cid=1278677300447](http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html?pagename=CFWCSancomQP01%2FPage%2FCFQP01_PageAgrupEnlaces_PT14&cidSel=1278694828599&appID=santander.wc.CFWCSancomQP01&canal=CSCORP&empr=CFWCSancomQP01&leng=en_GB&cid=1278677300447)

and

[http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es\\_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html?pagename=CFWCSancomQP01%2FPage%2FCFQP01\\_PageAgrupEnlaces\\_PT14&cidSel=1278688254195&appID=santander.wc.CFWCSancomQP01&canal=CSCORP&empr=CFWCSancomQP01&leng=en\\_GB&cid=1278677300447](http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html?pagename=CFWCSancomQP01%2FPage%2FCFQP01_PageAgrupEnlaces_PT14&cidSel=1278688254195&appID=santander.wc.CFWCSancomQP01&canal=CSCORP&empr=CFWCSancomQP01&leng=en_GB&cid=1278677300447)

English translation of Document (2) above is available at:

<http://www.santander.com/csgs/StaticBS?ssbinary=true&blobkey=id&SSURIsscontext=Satellite+Server&blobcol=urldata&SSURIsession=false&blobheadervalue1=application%2Fpdf&blobwhere=1278700560022&blobheadervalue2=inline%3Bfilename%3D109%5C723%5CFolleto+1T14+ingles.pdf&blobheadervalue3=santander.wc.CFWCSancomQP01&SSURlappotype=BlobServer&blobtable=MungoBlobs&SSURlcontainer=Default&blobheadervalue1=content-type&blobheadervalue2=Content-Disposition&blobheadervalue3=appID#satellitefragment>

Documents (3) above are available at:

[http://www.rns-pdf.londonstockexchange.com/rns/9987F\\_1-2014-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/9987F_1-2014-4-30.pdf)

and

[http://www.rns-pdf.londonstockexchange.com/rns/0043G\\_1-2014-4-30.pdf](http://www.rns-pdf.londonstockexchange.com/rns/0043G_1-2014-4-30.pdf)

and

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

Documents (4) above are available at the following:

- i. 2014 Supplement:  
[http://www.ise.ie/debt\\_documents/Supplements\\_6968f374-3143-40eb-8800-6c5c02054b8e.PDF](http://www.ise.ie/debt_documents/Supplements_6968f374-3143-40eb-8800-6c5c02054b8e.PDF)
- ii. 2013 Supplement:  
[http://www.ise.ie/debt\\_documents/Supplements\\_49d0e371-0e62-40c5-b8dc-b709529c5e93.PDF](http://www.ise.ie/debt_documents/Supplements_49d0e371-0e62-40c5-b8dc-b709529c5e93.PDF)
- iii. July 2013 Conditions:  
[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_d69f6e29-dc9b-44f3-ab94-172bda3c9d3f.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_d69f6e29-dc9b-44f3-ab94-172bda3c9d3f.pdf)
- iv. March 2013 Conditions:  
[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_80bb5846-b9fe-4d48-9b6b-baa69a2f9098.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_80bb5846-b9fe-4d48-9b6b-baa69a2f9098.pdf)
- v. 2012 Conditions:  
[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_6b964f4d-e065-4217-9a81-f4f5c21e4d4b.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_6b964f4d-e065-4217-9a81-f4f5c21e4d4b.pdf)
- vi. 2011 Conditions:  
[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_cba2bd86-e81b-4e8e-b31a-dc5ae0f61e91.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_cba2bd86-e81b-4e8e-b31a-dc5ae0f61e91.pdf)
- vii. 2010 Conditions:  
[http://www.ise.ie/debt\\_documents/Banesto%20Financial%20Products%20EMTN%2042187Base\\_Prospectus\\_15946.pdf](http://www.ise.ie/debt_documents/Banesto%20Financial%20Products%20EMTN%2042187Base_Prospectus_15946.pdf)
- viii. 2009 Conditions:  
[http://www.ise.ie/debt\\_documents/BANESTO\\_7802.pdf](http://www.ise.ie/debt_documents/BANESTO_7802.pdf)
- ix. 2008 Conditions:  
[http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_497.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_497.pdf)
- x. 2007 Conditions:  
[http://www.ise.ie/debt\\_documents/EUR%2010,000,000,000%20Euro%20Medium%20Term%20Note%20Programme\\_9787.pdf](http://www.ise.ie/debt_documents/EUR%2010,000,000,000%20Euro%20Medium%20Term%20Note%20Programme_9787.pdf)
- xi. 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, Annex 3 in the case of Fund Linked Notes and Annex 4 in the case of Credit Linked Notes, and which, subject to completion by the relevant Final Terms (in the case of Equity Linked Notes, Inflation Linked Notes and Credit Linked Notes) or the relevant Pricing Supplement (in the case of Equity Linked Notes, Inflation Linked Notes, Credit Linked Notes and 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. Any reference in these Conditions to "Applicable Transaction Terms", "relevant Applicable Transaction Terms" and/or "applicable Applicable Transaction Terms", will be deemed to be a reference to "Final Terms", "relevant Final Terms" and/or "applicable Final Terms"; and/or "Pricing Supplement", "relevant Pricing Supplement" and/or "applicable Pricing Supplement", as appropriate in respect of each Series of Notes.

### 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;

"**Affiliate**" means, in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "**control**"

means ownership of a majority of the voting power of an entity or person or, if the Calculation Agent determines appropriate, the power to direct or cause the direction of the management and policies of the First Entity, whether by contract, or otherwise;

**"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;

"**Credit Linked Conditions**" means the conditions in respect of Credit Linked Notes set out at "*Annex 4 Additional Terms and Conditions for Credit Linked Notes*" of the Terms and Conditions of the Notes;

"**Credit Linked Notes**" means Notes to which the Credit Linked Conditions are specified to apply in the applicable Pricing Supplement;

"**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:

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" 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 **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** 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:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" 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 **D<sub>2</sub>** 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:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" 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 **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" 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 **D<sub>2</sub>** 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 the Issuer or 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 amount 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, or, if it is a Credit Linked Note and is to be settled pursuant to Credit Linked Condition 3 (“**Physical Settlement**”), by delivery of the Asset Amount, subject to the terms of the Credit Linked Conditions.

(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 (iv) 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 Noteholder's Options***

- (i) Subject to paragraph (ii) 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 regulations or agreements thereunder, official interpretations thereof or (subject to the provisions of Condition 9) 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 law implementing or complying with, or introduced in order to conform to, such Directive 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:

- (a) 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
- (b) 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; or
- (c) 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 law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) 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; or
- (e) 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.

#### 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) each relevant credit rating agency which has assigned a credit rating to the Notes (if any), 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 Issuer 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 the Issuer or 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 the Issuer or 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:

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

Where:

"**Final Price<sub>(a)</sub>**" is the Final Price of the Share of the Basket with the lowest Depreciation Ratio.

"**Initial Price<sub>(a)</sub>**" is the Initial Price of the Share of the Basket with the lowest Depreciation Ratio.

"**Strike Price<sub>(a)</sub>**" is the Strike Price of the Share 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).

### 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<sub>(a)</sub>**" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Initial Price<sub>(a)</sub>**" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Strike Price<sub>(a)</sub>**" 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:

$$\text{Calculation Amount} \times \text{Min} \left( \text{CapLevel}, \left( \frac{\text{FinalPrice} - \text{InitialPrice}}{\text{InitialPrice}} \right) \right)$$

(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:

$$\text{Calculation Amount} \times \text{Min} \left( \text{CapLevel}; \left( \frac{\text{FinalPrice} - \text{InitialPrice}}{\text{InitialPrice}} \right) \right)$$

(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<sub>i</sub>**" is the Final Price of the Share<sub>i</sub>.

"**Initial Price<sub>i</sub>**" is the Initial Price of the Share<sub>i</sub>.

"**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:

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

Where:

"**Final Price<sub>i</sub>**" is the Final Price of the Share Index<sub>i</sub>.

"**Initial Price<sub>i</sub>**" is the Initial Price of the Share Index<sub>i</sub>.

"**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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>;
- (b) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> 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<sub>(1)</sub> if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount<sub>(1)</sub> 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<sub>(2)</sub> per Calculation Amount.

##### **1.3 Early Redemption Provision**

If the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be early redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(1)</sub>.

**"Coupon A<sub>(i)</sub>"** means, for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount B and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage**<sub>(i)</sub>" 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**<sub>(i)</sub>" 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<sub>(N)</sub>.

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

"**Instalment Amount**<sub>(2)</sub>" 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**<sub>(1)</sub>" has the meaning given to it in the applicable Applicable Transaction Terms

"**Interest Payment Date**<sub>(i)</sub>" 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**<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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<sub>(1)</sub> if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount<sub>(1)</sub> 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<sub>(2)</sub> per Calculation Amount.

### 2.3 Early Redemption Provision

If the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be early redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(1)</sub>.

**"Coupon A<sub>(i)</sub>"** means for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount B and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

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

**"Instalment Amount<sub>(2)</sub>"** 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<sub>(1)</sub>"** has the meaning given to it in the applicable Applicable Transaction Terms.

**"Interest Payment Date<sub>(i)</sub>"** 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<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A the Interest Amount will be equal to Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of at least one of the Shares comprised in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(1)</sub>, if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount<sub>(1)</sub> 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<sub>(2)</sub> per Calculation Amount.

#### 3.3 Early Redemption Provision

If the Official Closing Price of all the Shares comprised in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be early redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(1)</sub>.

"Coupon A<sub>(i)</sub>" means, for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount B (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"Coupon A Percentage<sub>(i)</sub>" 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

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

**"Instalment Amount<sub>(2)</sub>"** 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<sub>(1)</sub>"** has the meaning given to it in the applicable Applicable Transaction Terms.

**"Interest Payment Date<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Level of each and every Share Index in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or

- (b) if the Official Closing Level of at least one of the Share Indices in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(1)</sub> if the Notes have not been previously redeemed, each Note will be partially redeemed in an amount equal to Instalment Amount<sub>(1)</sub>.
- (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<sub>(2)</sub>.

#### 4.3 Early Redemption Provision

If the Official Closing Level of all the Share Indices in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than the Barrier B, each Note will be early redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(1)</sub>.

"**Coupon A<sub>(i)</sub>**" means, for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount B and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

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

"**Instalment Amount<sub>(2)</sub>**" 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:

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

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<sub>(i)</sub>**" has the meaning given to it in the applicable Applicable Transaction Terms.

"**Interest Payment Date<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed in full at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>**" means, for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed in full at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>**" means, for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every the Share in the Basket on Interest Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of at least one of the Shares in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed in full at par on the Early Redemption Date<sub>(i)</sub> 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  $\frac{\text{FinalPrice}}{\text{InitialPrice}}$

#### 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<sub>(i)</sub>**" means, for Interest Payment Date<sub>(i)</sub>, an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Level of all the Share Indices in the Basket on Interest Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of at least one of the Shares Indices in the Basket on Valuation Date<sub>(i)</sub>, 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 Indices comprised in the Underlying Basket on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier B, each Note will be early redeemed in full at par on the Early Redemption Date<sub>(i)</sub> 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  $\frac{\text{FinalPrice}}{\text{InitialPrice}}$

#### 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<sub>(i)</sub>**" means, for Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the relevant Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed in full at par on Early Redemption Date<sub>(i)</sub> 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:

$$\text{Calculation Amount} \times \left[ \frac{\text{FinalPrice}}{\text{InitialPrice}} \right]$$

#### 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**Floor Level<sub>(i)</sub>**" has, for each Interest Payment Date<sub>(i)</sub>, 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**Valuation Price<sub>(i)</sub>**" means the Official Closing Price on Valuation Date<sub>(i)</sub>.

## 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, the Notes will be redeemed in full at par on Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**Floor Level<sub>(i)</sub>**" has, for each Interest Payment Date<sub>(i)</sub>, 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" means each Valuation Date from 1 to N, as specified in the applicable Applicable Transaction Terms.

"**Valuation Price<sub>(i)</sub>**" means the Official Closing Level on Valuation Date<sub>(i)</sub>.

## 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<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every Share in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> 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  $\frac{\text{FinalPrice}}{\text{InitialPrice}}$

- (b) if the Official Closing Price of at least one of the Shares in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(N)</sub> 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**Floor Level<sub>(i)</sub>**" has, for each Interest Payment Date<sub>(i)</sub> 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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> 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<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be early redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(N)</sub> 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**<sub>(i)</sub>" 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<sub>(N)</sub>.

"**Floor Level**<sub>(i)</sub>" 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**<sub>(i)</sub>" 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**<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, 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<sub>(i)</sub>, is equal to or higher than Barrier B, each Note will be redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>"** means for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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<sub>(i)</sub>"** 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed at par on Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>**" means, for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

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

### 3. **6803 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<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of any of the Shares comprised in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub>, is equal to or higher than Barrier B, the Notes will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>"** means for each Interest Payment Date, an amount equal to the product of (i) Calculation Amount, (ii) the Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Level of all the Share Indices in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of any of the Share Indices in the Basket on Valuation Date<sub>(i)</sub>, 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<sub>(i)</sub>, is equal to or higher than Barrier B, each Note will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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  $\frac{\text{FinalPrice}}{\text{InitialPrice}}$

#### 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<sub>(i)</sub>**" means, for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount, (ii) the Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, 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<sub>(i)</sub>, is equal to or higher than Barrier A, each Note will be redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>"** means, for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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**<sub>(i)</sub>" 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**<sub>(i)</sub>" 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**<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier A, each Note will be redeemed at par on Early Redemption Date<sub>(i)</sub> 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**<sub>(i)</sub>" means, for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage**<sub>(i)</sub>" 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub>, is equal to or higher than Barrier A, the Notes will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>**" means for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Level of all the Share Indices in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of each and every of the Share Indices comprised in the Basket on Valuation Date<sub>(i)</sub>, 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<sub>(i)</sub>, is equal to or higher than Barrier A, each Note will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>**" means for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub>, is equal to or higher than Barrier A, each Note will be redeemed at par on the Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>"** means for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier A, each Note will be redeemed at par on Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>"** means for each Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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**<sub>(i)</sub> 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**<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date<sub>(i)</sub>, is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Price of each and every Share comprised in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub>, is equal to or higher than Barrier A, the Notes will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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  $\frac{\text{FinalPrice}}{\text{InitialPrice}}$

### 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<sub>(i)</sub>"** means for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage<sub>(i)</sub>.

**"Coupon A Percentage<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Level of all the Share Indices in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, Coupon A<sub>(i)</sub>; or
- (b) if the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub>, is equal to or higher than Barrier A, each Note will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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<sub>(a)</sub>**" means the Final Price of the Share Index in the Basket with the lowest Depreciation Ratio;

"**Strike Price<sub>(a)</sub>**" 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<sub>(i)</sub>**" means for each Interest Payment Date<sub>(i)</sub> an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage<sub>(i)</sub>.

"**Coupon A Percentage<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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**<sub>(i)</sub> 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**<sub>(i)</sub>" 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<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, the following Coupon A:

Calculation Amount  $\times$  C<sub>n</sub>

Where:

n= 1 to N

C<sub>1</sub>=C

C<sub>n</sub> 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<sub>(i)</sub>, 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<sub>(i)</sub>, is equal to or higher than Barrier B, each Note will be redeemed at par on the Early Redemption Date<sub>(i)</sub>, 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Dates<sub>(i)</sub> is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times C_n$$

Where:

$n = 1$  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<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, each Note will be redeemed at par on Early Redemption Date<sub>(i)</sub> 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<sub>(i)</sub>"** 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<sub>(N)</sub>.

**"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<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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<sub>(i)</sub>:

- (a) If the Official Closing Price of each and every Share in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub> 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<sub>(i)</sub> is equal to or higher than Barrier B, the Notes will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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:

$$\text{Calculation Amount} \times \left[ \frac{\text{FinalPrice}(A)}{\text{InitialPrice}(A)} \right]$$

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  $\frac{\text{FinalPrice}}{\text{InitialPrice}}$

#### 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<sub>(i)</sub>**" 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<sub>(N)</sub>.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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<sub>(i)</sub>:

- (a) If the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, the following Coupon A:

Calculation Amount  $\times$  C<sub>n</sub>

Where:

n= 1 to N

C<sub>1</sub>=C

C<sub>n</sub> 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<sub>(i)</sub>, 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<sub>(i)</sub>, is equal to or higher than Barrier B, each Note will be redeemed at par on the relevant Early Redemption Date<sub>(i)</sub> 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:

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

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**<sub>(i)</sub>" 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<sub>(N)</sub>.

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

## Part 11

If Structure 11 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 and Accrual of Interest Amount

Notwithstanding anything to the contrary in the Conditions including with respect to interest accrual, there are no Interest Periods in respect of the Notes and each nominal amount of Notes equal to the Calculation Amount pays the Interest Amount (if any) on each Interest Payment Date and the Conditions (including, without limitation, Condition 6) will be construed accordingly.

##### (i) Interest Amount

The Interest Amount (if any) in respect of each nominal amount of Notes equal to the Calculation Amount and an Interest Payment Date will be an amount in the Specified Currency (rounded to the nearest sub-unit of the Specified Currency with half a sub-unit being rounded upwards) calculated by the Calculation Agent in its sole and absolute discretion equal to:

##### (a) in respect of the first Interest Payment Date:

###### (1) if a Trigger Event occurs:

Calculation Amount x C; or

###### (2) if a Trigger Event does not occur, zero; and

##### (b) in respect of the Final Interest Payment Date:

Calculation Amount x Final Coupon Percentage x  $\text{Max} \left[ \frac{\text{Final Performance} - \text{Initial Price}}{\text{Initial Price}}; 0\% \right]$

(ii) Accrual of Interest Amount

- (a) In the event that the Notes are redeemed pursuant to Condition 7(b), Condition 11 or paragraph 1.2 below, no Interest Amount will be payable in respect of the Notes in respect of which the relevant Interest Payment Date has not occurred on or prior to the date fixed for such redemption, provided that if the date fixed for such redemption falls prior to the first Interest Payment Date, no Interest Amount will be payable in respect of the Notes.
- (b) Condition 7(b) will be amended by the deletion of the words "(together with interest accrued to the date fixed for redemption)," therein.
- (c) Condition 11 will be amended by the deletion of the words "together with accrued interest to the date of payment" therein.
- (d) In the event that on the due date for final redemption of any Note upon due presentation thereof, payment of the Redemption Amount is improperly withheld or refused, such Note will accrue an additional Interest Amount (as well after as before judgment) in respect of each Note on each day during the period from (and including) the due date for redemption of such Note and ending on 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 such Note up to such seventh day (except to the extent that there is any subsequent default in payment), such Interest Amount to be calculated by applying an overnight deposit rate determined by the Calculation Agent in its sole and absolute discretion from such source(s) as it may select for such day to the Calculation Amount.

1.2 Trigger Event Redemption

If a Trigger Event occurs, each nominal amount of Notes equal to the Calculation Amount will be redeemed on the Trigger Event Redemption Date at the Trigger Event Redemption Amount.

The definition of "Redemption Amount" in Condition 1 is amended to include the Trigger Event Redemption Amount.

1.3 Final Redemption Amount

The Final Redemption Amount in respect of each nominal amount of Notes equal to the Calculation Amount will be an amount equal to the Calculation Amount.

1.4 Additional Disruption Events

Paragraph 4 (Extraordinary Events) of Part 1 (Single Share Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes) of the Conditions will apply to the Notes Provided That a Hedging Disruption will be deemed not to be an Additional Disruption Event for the purposes of the Notes.

1.5 Definitions

"C" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Coupon Percentage**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Interest Payment Date**" means the Maturity Date.

"**Final Performance**" means:

$$X\% \times \frac{\text{Final Price}}{\text{Observation Price}}$$

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

**"Final Price Date"** means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 1 (Single Share Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

**"Initial Price"** means the percentage specified as such in the relevant Applicable Transaction Terms.

**"Initial Price Date"** means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 1 (Single Share Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

**"Observation Period"** means the period specified as such in the relevant Applicable Transaction Terms.

**"Observation Price"** means, subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Extraordinary Events) of Part 1 (Single Share Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the highest of the Official Closing Prices of the Share on each Scheduled Trading Day (each of which will be treated as a Valuation Date for the purposes of the Conditions) during the Observation Period.

**"Official Closing Price"** means, in respect of a day and subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Extraordinary Events) of Part 1 (Single Share Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the official closing price of the Share on such day, as determined by the Calculation Agent.

**"Trigger Event"** means in the determination of the Calculation Agent in its sole and absolute discretion the Trigger Performance in respect of the Share is equal to or greater than the Trigger Percentage.

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

**"Trigger Event Redemption Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the Calculation Amount.

**"Trigger Event Redemption Date"** means the first Interest Payment Date.

**"Trigger Percentage"** means the percentage specified as such in the relevant Applicable Transaction Terms.

**"Trigger Performance"** means:

$$\frac{\text{TriggerEventPrice}}{\text{Observation Price}}$$

**"X%"** means the percentage specified as such 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 and Accrual of Interest Amount

Notwithstanding anything to the contrary in the Conditions including with respect to interest accrual, there are no Interest Periods in respect of the Notes and each nominal amount of Notes equal to the

Calculation Amount pays the Interest Amount (if any) on each Interest Payment Date and the Conditions (including, without limitation, Condition 6) will be construed accordingly.

(i) Interest Amount

The Interest Amount (if any) in respect of each nominal amount of Notes equal to the Calculation Amount and an Interest Payment Date will be an amount in the Specified Currency (rounded to the nearest sub-unit of the Specified Currency with half a sub-unit being rounded upwards) calculated by the Calculation Agent in its sole and absolute discretion equal to:

(a) in respect of the first Interest Payment Date:

(1) if a Trigger Event occurs:

Calculation Amount x C; or

(2) if a Trigger Event does not occur, zero; and

(b) in respect of the Final Interest Payment Date:

Calculation Amount x Final Coupon Percentage x Max  $\left[ \frac{\text{Final Performance} - \text{Initial Price}}{\text{Initial Price}}; 0\% \right]$

(ii) Accrual of Interest Amount

(a) In the event that the Notes are redeemed pursuant to Condition 7(b), Condition 11 or paragraph 2.2 below, no Interest Amount will be payable in respect of the Notes in respect of which the relevant Interest Payment Date has not occurred on or prior to the date fixed for such redemption, provided that if the date fixed for such redemption falls prior to the first Interest Payment Date, no Interest Amount will be payable in respect of the Notes.

(b) Condition 7(b) will be amended by the deletion of the words "(together with interest accrued to the date fixed for redemption)," therein.

(c) Condition 11 will be amended by the deletion of the words "together with accrued interest to the date of payment" therein.

(d) In the event that on the due date for final redemption of any Note upon due presentation thereof, payment of the Redemption Amount is improperly withheld or refused, such Note will accrue an additional Interest Amount (as well after as before judgment) in respect of each Note on each day during the period from (and including) the due date for redemption of such Note and ending on 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 such Note up to such seventh day (except to the extent that there is any subsequent default in payment), such Interest Amount to be calculated by applying an overnight deposit rate determined by the Calculation Agent in its sole and absolute discretion from such source(s) as it may select for such day to the Calculation Amount.

2.2 Trigger Event Redemption

If a Trigger Event occurs, each nominal amount of Notes equal to the Calculation Amount will be redeemed on the Trigger Event Redemption Date at the Trigger Event Redemption Amount.

The definition of "Redemption Amount" in Condition 1 is amended to include the Trigger Event Redemption Amount.

2.3 Final Redemption Amount

The Final Redemption Amount in respect of each nominal amount of Notes equal to the Calculation Amount will be an amount equal to the Calculation Amount.

#### 2.4 Additional Disruption Events

Paragraph 4 (Additional Disruption Events) of Part 2 (Single Share Index Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes) of the Conditions will apply to the Notes provided that a Hedging Disruption will be deemed not to be an Additional Disruption Event for the purposes of the Notes.

#### 2.5 Definitions

"C" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Coupon Percentage**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Interest Payment Date**" means the Maturity Date.

"Final Performance" means:

$$X\% \times \frac{\text{Final Price}}{\text{Observation Level}}$$

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

"**Final Price Date**" means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 2 (Single Share Index Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

"**Initial Price**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Initial Price Date**" means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 2 (Single Share Index Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

"**Observation Level**" means, subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Additional Disruption Events) of Part 2 (Single Share Index Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the highest of the Official Closing Levels of the Share Index on each Scheduled Trading Day (each of which will be treated as a Valuation Date for the purposes of the Conditions) during the Observation Period.

"**Observation Period**" means the period specified as such in the relevant Applicable Transaction Terms.

"**Official Closing Level**" means, in respect of a day and subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Additional Disruption Events) of Part 2 (Single Share Index Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the official closing level of the Share Index on such day, as determined by the Calculation Agent.

"**Trigger Event**" means in the determination of the Calculation Agent in its sole and absolute discretion the Trigger Performance in respect of the Share Index is equal to or greater than the Trigger Percentage.

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

"**Trigger Event Redemption Amount**" means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the Calculation Amount.

"**Trigger Event Redemption Date**" means the first Interest Payment Date.

"**Trigger Percentage**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Trigger Performance**" means:

$$\frac{\text{TriggerEventLevel}}{\text{Observation Level}}$$

"**X%**" means the percentage specified as such in the relevant 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 and Accrual of Interest Amount

Notwithstanding anything to the contrary in the Conditions including with respect to interest accrual, there are no Interest Periods in respect of the Notes and each nominal amount of Notes equal to the Calculation Amount pays the Interest Amount (if any) on each Interest Payment Date and the Conditions (including, without limitation, Condition 6) will be construed accordingly.

##### (i) Interest Amount

The Interest Amount (if any) in respect of each nominal amount of Notes equal to the Calculation Amount and an Interest Payment Date will be an amount in the Specified Currency (rounded to the nearest sub-unit of the Specified Currency with half a sub-unit being rounded upwards) calculated by the Calculation Agent in its sole and absolute discretion equal to:

##### (a) in respect of the first Interest Payment Date:

##### (1) if a Trigger Event occurs:

Calculation Amount x C; or

##### (2) if a Trigger Event does not occur, zero; and

##### (b) in respect of the Final Interest Payment Date:

$$\text{Calculation Amount} \times \text{FinalCouponPercentage} \times \text{Max} \left[ \frac{\text{Basket}_{final} - \text{Basket}_0}{\text{Basket}_0}; 0\% \right]$$

##### (ii) Accrual of Interest Amount

(a) In the event that the Notes are redeemed pursuant to Condition 7(b), Condition 11 or paragraph 3.2 below, no Interest Amount will be payable in respect of the Notes in respect of which the relevant Interest Payment Date has not occurred on or prior to the date fixed for such redemption, Provided That if the date fixed for such redemption falls prior to the first Interest Payment Date, no Interest Amount will be payable in respect of the Notes.

(b) Condition 7(b) will be amended by the deletion of the words "(together with interest accrued to the date fixed for redemption)," therein.

(c) Condition 11 will be amended by the deletion of the words "together with accrued interest to the date of payment" therein.

- (d) In the event that on the due date for final redemption of any Note upon due presentation thereof, payment of the Redemption Amount is improperly withheld or refused, such Note will accrue an additional Interest Amount (as well after as before judgment) in respect of each Note on each day during the period from (and including) the due date for redemption of such Note and ending on 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 such Note up to such seventh day (except to the extent that there is any subsequent default in payment), such Interest Amount to be calculated by applying an overnight deposit rate determined by the Calculation Agent in its sole and absolute discretion from such source(s) as it may select for such day to the Calculation Amount.

### 3.2 Trigger Event Redemption

If a Trigger Event occurs, each nominal amount of Notes equal to the Calculation Amount will be redeemed on the Trigger Event Redemption Date at the Trigger Event Redemption Amount.

The definition of "Redemption Amount" in Condition 1 is amended to include the Trigger Event Redemption Amount.

### 3.3 Final Redemption Amount

The Final Redemption Amount in respect of each nominal amount of Notes equal to the Calculation Amount will be an amount equal to the Calculation Amount.

### 3.4 Additional Disruption Events

Paragraph 4 (Extraordinary Events) of Part 3 (Share Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes) of the Conditions will apply to the Notes provided that a Hedging Disruption will be deemed not to be an Additional Disruption Event for the purposes of the Notes.

### 3.5 Definitions

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

"**Basket<sub>0</sub>**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Basket<sub>Final</sub>**" means the sum of the Final Performance in respect of each Share.

"**C**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Coupon Percentage**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Interest Payment Date**" means the Maturity Date.

"**Final Performance**" means, in respect of a Share:

$$X\% \times \frac{\text{Final Price}}{\text{Observation Price}}$$

"**Final Price**" means, in respect of a Share, the Official Closing Price of such Share on the Final Price Date.

"**Final Price Date**" means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 3 (Share Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

**"Initial Price Date"** means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 3 (Share Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

**"Observation Period"** means the period specified as such in the relevant Applicable Transaction Terms.

**"Observation Price"** means, in respect of a Share and subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Extraordinary Events) of Part 3 (Share Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the highest of the Official Closing Prices of such Share on each Scheduled Trading Day (each of which will be treated as a Valuation Date for the purposes of the Conditions) during the Observation Period.

**"Official Closing Price"** means, in respect of a day and a Share and subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Extraordinary Events) of Part 3 (Share Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the official closing price of such Share on such day, as determined by the Calculation Agent.

**"Trigger Event"** means in the determination of the Calculation Agent in its sole and absolute discretion the lowest Trigger Performance in respect of a Share is equal to or greater than the Trigger Percentage.

**"Trigger Event Price"** means, in respect of a Share, the Official Closing Price of such Share on the Initial Price Date.

**"Trigger Event Redemption Amount"** means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the Calculation Amount.

**"Trigger Event Redemption Date"** means the first Interest Payment Date.

**"Trigger Percentage"** means the percentage specified as such in the relevant Applicable Transaction Terms.

**"Trigger Performance"** means, in respect of a Share:

$$\frac{\text{TriggerEventPrice}}{\text{Observation Price}}$$

**"X%"** means the percentage specified as such in the relevant 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 and Accrual of Interest Amount**

Notwithstanding anything to the contrary in the Conditions including with respect to interest accrual, there are no Interest Periods in respect of the Notes and each nominal amount of Notes equal to the Calculation Amount pays the Interest Amount (if any) on each Interest Payment Date and the Conditions (including, without limitation, Condition 6) will be construed accordingly.

###### (i) **Interest Amount**

The Interest Amount (if any) in respect of each nominal amount of Notes equal to the Calculation Amount and an Interest Payment Date will be an amount in the Specified Currency (rounded to the nearest sub-unit of the Specified Currency with half a sub-unit being rounded upwards) calculated by the Calculation Agent in its sole and absolute discretion equal to:

- (a) in respect of the first Interest Payment Date:
  - (1) if a Trigger Event occurs:
 

Calculation Amount  $\times$  C ; or
  - (2) if a Trigger Event does not occur, zero; and

- (b) in respect of the Final Interest Payment Date:

$$\text{Calculation Amount} \times \text{Final Coupon Percentage} \times \text{Max} \left[ \frac{\text{Basket}_{final} - \text{Basket}_0}{\text{Basket}_0}; 0\% \right]$$

(ii) **Accrual of Interest Amount**

- (a) In the event that the Notes are redeemed pursuant to Condition 7(b), Condition 11 or paragraph 4.2 below, no Interest Amount will be payable in respect of the Notes in respect of which the relevant Interest Payment Date has not occurred on or prior to the date fixed for such redemption, Provided That if the date fixed for such redemption falls prior to the first Interest Payment Date, no Interest Amount will be payable in respect of the Notes.
- (b) Condition 7(b) will be amended by the deletion of the words "(together with interest accrued to the date fixed for redemption)," therein.
- (c) Condition 11 will be amended by the deletion of the words "together with accrued interest to the date of payment" therein.
- (d) In the event that on the due date for final redemption of any Note upon due presentation thereof, payment of the Redemption Amount is improperly withheld or refused, such Note will accrue an additional Interest Amount (as well after as before judgment) in respect of each Note on each day during the period from (and including) the due date for redemption of such Note and ending on 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 such Note up to such seventh day (except to the extent that there is any subsequent default in payment), such Interest Amount to be calculated by applying an overnight deposit rate determined by the Calculation Agent in its sole and absolute discretion from such source(s) as it may select for such day to the Calculation Amount.

**4.2 Trigger Event Redemption**

If a Trigger Event occurs, each nominal amount of Notes equal to the Calculation Amount will be redeemed on the Trigger Event Redemption Date at the Trigger Event Redemption Amount.

The definition of "Redemption Amount" in Condition 1 is amended to include the Trigger Event Redemption Amount.

**4.3 Final Redemption Amount**

The Final Redemption Amount in respect of each nominal amount of Notes equal to the Calculation Amount will be an amount equal to the Calculation Amount.

**4.4 Additional Disruption Events**

Paragraph 4 (Additional Disruption Events) of Part 4 (Share Index Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes) of the Conditions will apply to the Notes provided that a Hedging Disruption will be deemed not to be an Additional Disruption Event for the purposes of the Notes.

#### 4.5 Definitions

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

"**Basket<sub>0</sub>**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Basket<sub>Final</sub>**" means the sum of the Final Performance in respect of each Share Index.

"**C**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Coupon Percentage**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Final Interest Payment Date**" means the Maturity Date.

"**Final Performance**" means, in respect of a Share Index:

$$X\% \times \frac{\text{Final Price}}{\text{Observation Level}}$$

"**Final Price**" means, in respect of a Share Index, the Official Closing Level of such Share Index on the Final Price Date.

"**Final Price Date**" means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 4 (Share Index Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

"**Initial Price Date**" means the date specified as such in the relevant Applicable Transaction Terms or, if such date is not a Scheduled Trading Day, the next succeeding Scheduled Trading Day and subject as provided in paragraph 2 (Market Disruption Events) of Part 4 (Share Index Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes).

"**Observation Level**" means, in respect of a Share Index and subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Additional Disruption Events) of Part 4 (Share Index Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the highest of the Official Closing Levels of such Share Index on each Scheduled Trading Day (each of which will be treated as a Valuation Date for the purposes of the Conditions) during the Observation Period.

"**Observation Period**" means the period specified as such in the relevant Applicable Transaction Terms.

"**Official Closing Level**" means, in respect of a day and a Share Index and subject as provided in paragraphs 2 (Market Disruption Events), 3 (Adjustments) and 4 (Additional Disruption Events) of Part 4 (Share Index Basket Linked Notes) of Section 2 (Disruption, Adjustments and Extraordinary Events) of Annex 1 (Provisions Relating to Equity Linked Notes), the official closing level of such Share Index on such day, as determined by the Calculation Agent.

"**Trigger Event**" means in the determination of the Calculation Agent in its sole and absolute discretion the lowest Trigger Performance in respect of a Share Index is equal to or greater than the Trigger Percentage.

"**Trigger Event Level**" means, in respect of a Share Index, the Official Closing Level of such Share Index on the Initial Price Date.

"**Trigger Event Redemption Amount**" means, in respect of each nominal amount of Notes equal to the Calculation Amount, an amount equal to the Calculation Amount.

"**Trigger Event Redemption Date**" means the first Interest Payment Date.

"**Trigger Percentage**" means the percentage specified as such in the relevant Applicable Transaction Terms.

"**Trigger Performance**" means, in respect of a Share Index:

$$\frac{\text{TriggerEventLevel}}{\text{Observation Level}}$$

"**X%**" means the percentage specified as such in the relevant Applicable Transaction Terms.

## Part 12

If Structure 12 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 Interest Payment Date<sub>(i)</sub>:

- (a) if the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> 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 the Share on Valuation Date<sub>(i)</sub> is lower than Barrier A, Coupon B (which could be zero).

#### 1.2 Lock-in event

If the Official Closing Price of the Share on Valuation Date<sub>(i)</sub> is greater than or equal to Barrier B then the conditions in (a) above will be deemed to be satisfied in respect of each of the current Interest Payment Dates and each subsequent Interest Payment Date (if any) regardless of the Official Closing Price of the Share on any subsequent Valuation Date<sub>(i)</sub>.

#### 1.3 Final Redemption Amount

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.

#### 1.4 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 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.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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

The following Interest Amount per Calculation Amount will be payable on Interest Payment Date<sub>(i)</sub>:

- (a) if the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> 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 the Share Index on Valuation Date<sub>(i)</sub>, is lower than Barrier A, Coupon B (which could be zero).

### 2.2 Lock-in event

If the Official Closing Level of the Share Index on Valuation Date<sub>(i)</sub> is greater than or equal to Barrier B then the conditions in (a) above will be deemed to be satisfied in respect of each of the current Interest Payment Dates and each subsequent Interest Payment Date (if any) regardless of the Official Closing Level of the Share Index on any subsequent Valuation Date<sub>(i)</sub>

### 2.3 Final Redemption Amount

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.

## 2.4 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 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.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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

The following Interest Amount per Calculation Amount will be payable on Interest Payment Date<sub>(i)</sub>:

- (a) if the Official Closing Price of each and every Share in the Basket on Valuation Date<sub>(i)</sub> 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<sub>(i)</sub>, is lower than Barrier A, Coupon B (which could be zero).

### 3.2 Lock-in event

If the Official Closing Price of each and every Share in the Basket on Valuation Date<sub>(i)</sub> is greater than or equal to Barrier B then the conditions in (a) above will be deemed to be satisfied in respect of each of the current Interest Payment Dates and each subsequent Interest Payment Date (if any) regardless of the Official Closing Price of the Shares comprised in the Basket on any subsequent Valuation Date<sub>(i)</sub>.

3.3 Final Redemption Amount

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.

3.4 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 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.

"**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<sub>(i)</sub>**" 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<sub>(i)</sub>**" 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

The following Interest Amount per Calculation Amount will be payable on Interest Payment Date<sub>(i)</sub>:

- (a) if the Official Closing Level of all the Share Indices comprised in the Basket on Valuation Date<sub>(i)</sub> is equal to or higher than Barrier A, the following Coupon A:

$$\text{Calculation Amount} \times C_n$$

Where:

n= 1 to N

C<sub>1</sub>=C

C<sub>n</sub> 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<sub>(i)</sub>, is lower than Barrier A, Coupon B (which could be zero).

#### 4.2 Lock-in event

If the Official Closing Level of each and every Share Index in the Basket on Valuation Date<sub>(i)</sub> is greater than or equal to Barrier B then the conditions in (a) above will be deemed to be satisfied in respect of each of the current Interest Payment Dates and each subsequent Interest Payment Date (if any) regardless of the Official Closing Level of the Share Indices in the Basket on any subsequent Valuation Date<sub>(i)</sub>.

#### 4.3 Final Redemption Amount

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.

#### 4.4 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 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.

**"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 Applicable Transaction Terms.

**"Interest Payment Date<sub>(i)</sub>"** 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<sub>(i)</sub>"** 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 temporarily 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 set out in 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 temporally 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 set out in 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 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.

**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 (*Provisions Relating to 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 (*Provisions Relating to 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:

$$\text{Fixed Rate of Interest} \times (I_T / I_0)]$$

**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:

$$\text{Max} [\text{Floor}; \text{Fixed Rate of Interest} \times (I_T / I_0)]$$

**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:

$$\text{Max} [\text{Floor}; (I_T / I_0) + \text{Margin}]$$

**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:

$$\text{Min} [\text{Cap}; \text{Fixed Rate of Interest} \times (I_T / I_0)]$$

**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:

$$\text{Min} [\text{Cap}; (I_T / I_0) + \text{Margin}]$$

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;

"**I<sub>0</sub>**" means Inflation Index observation level for Reference Month T<sub>start</sub>;

"**I<sub>T</sub>**" 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<sub>start</sub>**" 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:

$$[Specified Denomination \times (I_F / I_0)]$$

**OR**

- (2) If Inflation Linked Final Redemption Amount subject to a minimum of par is specified in the applicable Applicable Transaction Terms:

$$[Specified Denomination \times Max[1; (I_F / I_0)]]$$

**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:

$$[Specified Denomination \times Max[0; (I_F / I_0)]]$$

where:

"**I<sub>F</sub>**" means Inflation Index observation level for Reference Month T<sub>final</sub>;

"**I<sub>0</sub>**" means Inflation Index observation level for Reference Month T<sub>start</sub>;

"**T<sub>final</sub>**" has the meaning given to in the applicable Applicable Transaction Terms; and

"**T<sub>start</sub>**" 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 1.1 above, the Calculation Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$[SubstituteInflationIndex\ Level = BaseLevel \times (Latest\ Level/Reference\ Level)]$ ; 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 subparagraph (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 Section 2 (*Inflation Index Description*) 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 Section 2 (*Inflation Index Description*) 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 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 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 Prospectus (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; or
- 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.

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.

**ANNEX 4**  
**ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES**

*The terms and conditions applicable to Credit Linked Notes shall comprise the Terms and Conditions of the Notes (the "**Conditions**") and the additional Terms and Conditions set out below (the "**Credit Linked Conditions**"), in each case subject to completion and/or amendment in the Applicable Transaction Terms. In the event of any inconsistency between the Conditions and the Credit Linked Conditions, the Credit Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Credit Linked Conditions and (ii) the Applicable Transaction Terms, the Applicable Transaction Terms shall prevail.*

*Where Restructuring is specified in the Applicable Transaction Terms as being an applicable Credit Event and Credit Linked Condition 15 (Credit Event Notice After Restructuring Credit Event) is applicable, there may be more than one Credit Event Determination Date in respect of the same Reference Entity as further described in Credit Linked Condition 15 (Credit Event Notice After Restructuring Credit Event) below. In addition, in the case of a Portfolio Credit Linked Note or a Portfolio Maturity Settled Credit Linked Notes, there may be multiple Credit Event Determination Dates, but, other than as set out in the preceding sentence, only one Credit Event Determination Date in respect of each Reference Entity. A Credit Event Determination Date in respect of more than one Reference Entity may occur on any one date. For the avoidance of doubt, the provisions set out in these Credit Linked Conditions set out the mechanics that apply in respect of one Reference Entity and where applicable, shall apply severally to each Reference Entity for a Portfolio Credit Linked Note or a Portfolio Maturity Settled Credit Linked Note. References below to a numbered Condition are to such numbered section of the Conditions and references to a numbered Credit Linked Condition are to such numbered section as set out in these Credit Linked Conditions.*

*Defined terms used in these Credit Linked Conditions or the related section of the Applicable Transaction Terms where the same term may be used in another Annex to the Conditions (e.g. Valuation Date) shall have the meanings given in these Credit Linked Conditions or in the section of the Applicable Transaction Terms relating to Credit Linked Notes.*

*Unless otherwise stated in these Credit Linked Conditions or in the Applicable Transaction Terms, in the event that any day specified in the "Additional Provisions Relating to Credit Linked Notes" section of the Applicable Transaction Terms or the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such day or last day shall be subject to adjustment in accordance with the applicable Business Day Convention.*

**1. Redemption of Credit Linked Notes**

Unless previously redeemed in whole or purchased and cancelled and subject to the provisions of these Credit Linked Conditions, each principal amount of Notes equal to the Calculation Amount will be redeemed by the Issuer at its Outstanding Redemption Amount (which may be zero) on the Maturity Date.

For the purposes of Credit Linked Notes, "**Maturity Date**" means the latest to occur of:

- (i) the Scheduled Maturity Date;
- (ii) the last Credit Event Redemption Date capable of occurring;
- (iii) the last Physical Settlement Date or Final Delivery Date capable of occurring;
- (iv) the last Partial Cash Settlement Date capable of occurring;
- (v) the fifth (5th) Business Day following the last Repudiation/Moratorium Evaluation Date capable of occurring;
- (vi) the last Grace Period Extension Date capable of occurring;
- (vii) the fifth (5th) Business Day following the last DC Cut-off Date capable of occurring; and

(viii) the last Postponed Maturity Date capable of occurring.

If Conditions to Settlement are satisfied then (subject as provided in Credit Linked Condition 4 (*Auction Settlement*) and Credit Linked Condition 23 (*Variation of Settlement*)) (i) if Cash Settlement is specified in the Applicable Transaction Terms, the provisions of Credit Linked Condition 2 (*Cash Settlement*) shall apply, (ii) if Physical Delivery is specified in the Applicable Transaction Terms, the provisions of Credit Linked Condition 3 (*Physical Settlement*) shall apply or (iii) if Auction Settlement is specified in the Applicable Transaction Terms, the provisions of Credit Linked Condition 4 (*Auction Settlement*) shall apply, in each case, in respect of the relevant Credit Event.

## 2. **Cash Settlement**

Subject as provided in these Credit Linked Conditions, if Conditions to Settlement are satisfied and (i) Cash Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms or (ii) Credit Linked Condition 4(A) below applies, the Issuer shall give notice (such notice a "**Cash Settlement Notice**") to the Noteholders in accordance with Condition 15 (*Notices*) such notice to include the details of the relevant Reference Entity, and:

- (a) in respect of Notes which are not Portfolio Maturity Settled Credit Linked Notes, redeem the Credit Event Portion of all but not some only of the Notes and pay in respect of each principal amount of Notes equal to the Calculation Amount, the Credit Event Redemption Amount specified in, or determined in the manner specified in the Applicable Transaction Terms on the Credit Event Redemption Date; or
- (b) in respect of Notes which are Portfolio Maturity Settled Credit Linked Notes, redeem the aggregate of all Credit Event Portions (determined to and including the Maturity Date) of all but not some only of the Notes and pay in respect of each principal amount of Notes equal to the Calculation Amount, an amount equal to the aggregate of all Credit Event Redemption Amounts (determined to and including the Maturity Date) specified in, or determined in the manner specified in the Applicable Transaction Terms on the Maturity Date.

For the avoidance of doubt settlement in accordance with this Credit Linked Condition 2 (as provided above) shall occur upon satisfaction of the Conditions to Settlement notwithstanding that the related Cash Settlement Notice may be given later, and in some cases significantly later, than the Credit Event Determination Date.

Unless (i) otherwise stated in the Applicable Transaction Terms or (ii) the Notes are Portfolio Credit Linked Notes or Portfolio Maturity Settled Credit Linked Notes, subject as provided in these Credit Linked Conditions if (a) First to Default is specified as applicable in the Applicable Transaction Terms and (b) more than one Reference Entity is specified in the Applicable Transaction Terms, a Credit Event Determination Date may only occur and a Cash Settlement Notice may only be delivered on one occasion. If Conditions to Settlement are satisfied in respect of more than one Reference Entity on the same date other than in the case of Portfolio Credit Linked Notes or Portfolio Maturity Settled Credit Linked Notes, the Calculation Agent shall determine which Reference Entity is the Reference Entity in respect of which a Credit Event Determination Date shall occur.

If the Notes are partially redeemed, each relevant Note or, if the Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption. If the Calculation Agent, at any time, determines that the aggregate nominal amount of the Note is thereby reduced to zero, the Issuer's obligations in respect of such Note shall immediately be discharged and the Issuer shall have no further liability in respect thereof.

*If Conditions to Settlement are satisfied and the Notes become redeemable in whole or in part in accordance with this Credit Linked Condition 2, upon payment of the Credit Event Redemption Amount(s) in respect of the Notes, the Issuer shall have discharged its obligations in respect of the relevant Credit Event Portion of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.*

### 3. **Physical Settlement**

Subject as provided in these Credit Linked Conditions, if Conditions to Settlement are satisfied and (i) Physical Delivery is specified as the applicable Settlement Method in the Applicable Transaction Terms or (ii) Credit Linked Condition 4(B) below applies, the Issuer shall, following receipt of a Calculation Agent Physical Settlement Notice, give notice (such notice a "**Notice of Physical Settlement**") to the Noteholders, in accordance with Condition 15 (*Notices*), such notice to include the details of the relevant Reference Entity, and redeem the Credit Event Portion of all but not some only of the Notes and Deliver in respect of each principal amount of Notes equal to the Calculation Amount, the Deliverable Obligations comprising the Asset Amount on the Physical Settlement Date, subject to and in accordance with Credit Linked Conditions 9 (*Maturity Date Extension*) and 10 (*Physical Delivery*).

If the Notes are partially redeemed, each relevant Note or, if the Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption. If the Calculation Agent, at any time, determines that the aggregate nominal amount of the Notes is thereby reduced to zero, the Issuer's obligations in respect of such Notes shall immediately be discharged and the Issuer shall have no further liability in respect thereof.

For the avoidance of doubt settlement in accordance with this Credit Linked Condition 3 (as provided above) shall occur upon satisfaction of the Conditions to Settlement notwithstanding that the related Notice of Physical Settlement may be given later, and in some cases significantly later, than the Credit Event Determination Date.

In the Notice of Physical Settlement, the Issuer shall specify the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value.

The Issuer may, from time to time, amend a Notice of Physical Settlement by delivering a notice to Noteholders in accordance with Condition 15 (*Notices*) (each such notification, a "**Physical Settlement Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date of such Physical Settlement Amendment Notice). A Physical Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will, subject to Credit Linked Condition 10 (*Physical Delivery*), Deliver (each, a "**Replacement Deliverable Obligation**") and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of Asset Amount) of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Replacement Deliverable Obligation(s), taken together, shall have an aggregate Replaced Deliverable Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of any such amount(s)) of the Deliverable Obligations being replaced. Each such Physical Settlement Amendment Notice must be delivered on or prior to the Physical Settlement Date (determined without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to Noteholders (in accordance with Condition 15 (*Notices*)) prior to the relevant Delivery Date; it being understood that such notice of correction shall not constitute a Physical Settlement Amendment Notice.

If "Restructuring Maturity Limitation and Fully Transferable Obligation" is specified as applying in the Applicable Transaction Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.

If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applying in the Applicable Transaction Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

*If Conditions to Settlement are satisfied and the Notes become redeemable in whole or in part in accordance with this Credit Linked Condition 3, upon Delivery of the Deliverable Obligations Deliverable and/or payment of the Partial Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the relevant Credit Event Portion of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount may be less than the Calculation Amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.*

#### 4. **Auction Settlement**

If Conditions to Settlement are satisfied and Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice an "**Auction Settlement Notice**") to the Noteholders in accordance with Condition 15 (*Notices*) and, subject to any adjustment in accordance with Credit Linked Condition 15 (*Credit Event Notice After Restructuring Credit Event*), redeem the Credit Event Portion of all but not some only of the Notes, each such Credit Event Portion of each Note equal to the Calculation Amount being redeemed at the Credit Event Redemption Amount determined in the manner specified in the Applicable Transaction Terms on the Credit Event Redemption Date.

Unless settlement has occurred in accordance with the paragraph above, if:

- (i) an Auction Cancellation Date occurs;
- (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
- (iii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date;
- (iv) a Credit Event Determination Date was determined pursuant to paragraph (a) of the definition of Credit Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three (3) Business Days after such Credit Event Determination Date; or
- (v) a Credit Event Determination Date was determined pursuant to paragraph (b)(ii)(A) or (b)(ii)(B) of the definition of Credit Event Determination Date,

then:

- (A) if Fallback Settlement Method - Cash Settlement is specified as applicable in the Applicable Transaction Terms, the Issuer shall redeem the relevant Credit Event Portion(s) of the Notes in accordance with Credit Linked Condition 2 above; or
- (B) if Fallback Settlement Method - Physical Delivery is specified as applicable in the Applicable Transaction Terms, the Issuer shall redeem the relevant Credit Event Portion(s) of the Notes in accordance with Credit Linked Condition 3 above.

*If Conditions to Settlement are satisfied and the Notes become redeemable in whole or in part in accordance with this Credit Linked Condition 4, upon payment of the Credit Event Redemption Amount(s) in respect of the Notes, the Issuer shall have discharged its obligations in respect of the relevant Credit Event Portion of the Notes and shall have no other liability or obligation whatsoever*

*in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer or the Guarantor.*

5. **Interest**

Subject as provided below each of the Notes will bear interest pursuant to and in accordance with Condition 6 (*Interest Provisions*), provided that (i) for the purposes of determining the interest amounts in respect of Portfolio Credit Linked Notes and Portfolio Maturity Settled Credit Linked Notes, the aggregate outstanding nominal amount of the Notes shall be deemed to be the Weighted Average Outstanding Redemption Amount on the relevant Interest Payment Date and (ii) in the case of interest bearing Notes other than Portfolio Credit Linked Notes or Portfolio Maturity Settled Credit Linked Notes, if Conditions to Settlement are satisfied, then (x) if "Accrual of Interest upon a Credit Event" is specified as Not Applicable in the Applicable Transaction Terms, each Note shall cease to bear interest from the Interest Payment Date immediately preceding the Credit Event Determination Date, or if the Credit Event Determination Date is an Interest Payment Date such Interest Payment Date (but the Issuer shall only be obliged to make payment of such interest on the Credit Event Redemption Date or Physical Settlement Date, as applicable, and no further amount shall be payable in respect of any such delay) or, if the Credit Event Determination Date falls prior to the first Interest Payment Date, no interest shall accrue on the Notes; or (y) if "Accrual of Interest upon a Credit Event" is specified as being Applicable in the Applicable Transaction Terms, each Note shall cease to bear interest from the Credit Event Determination Date. For the avoidance of doubt the above provisions are subject to adjustment in certain circumstances as provided in these Credit Linked Conditions and including the final paragraph of the definition of Credit Event Determination Date in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*).

For the purposes of this Credit Linked Condition 5:

**"Weighted Average Outstanding Redemption Amount"** means, on any Interest Payment Date, the quotient of (a) the sum of the Outstanding Redemption Amount determined in respect of each day in the immediately preceding Interest Period, as applicable (provided that for the purposes of this Credit Linked Condition 5 only, the Outstanding Redemption Amount shall be deemed to be reduced by each Credit Event Portion on the related Credit Event Determination Date, rather than the related Credit Event Redemption Date in respect of a Portfolio Credit Linked Note or the date on which the Final Price or Auction Final Price, as applicable, is calculated in respect of a Portfolio Maturity Settled Credit Linked Note) (as numerator) and (b) the actual number of days in such Interest Period (as denominator).

6. **Repudiation/Moratorium Extension**

Where Repudiation/Moratorium is specified as a Credit Event in the Applicable Transaction Terms, the provisions of this Credit Linked Condition 6 shall apply.

Where (i) Conditions to Settlement in respect of a Reference Entity have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) and (ii) the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 9 (*Maturity Date Extension*) applies, the Postponed Maturity Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will, in the determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Calculation Agent shall notify the Noteholders in accordance with Condition 15 (*Notices*) that a Potential Repudiation/Moratorium has occurred, giving details of the relevant Reference Entity and:

- (i) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
  - (A) Credit Linked Condition 1 (*Redemption of Credit Linked Notes*) shall apply; and
  - (B) in the case of interest bearing Notes only, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date (or, if none, the Interest Commencement Date) to (but excluding) the Scheduled Maturity Date but shall only

be obliged to make such payment of interest on the Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and

- (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/ Moratorium Evaluation Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 (*Cash Settlement*), Credit Linked Condition 3 (*Physical Settlement*) or Credit Linked Condition 4 (*Auction Settlement*), as applicable, shall apply to the relevant Credit Event Portion of the Notes.

#### 7. **Grace Period Extension**

If "Grace Period Extension" is specified as applying in the Applicable Transaction Terms, the provisions of this Credit Linked Condition 7 shall apply.

Where (i) Conditions to Settlement in respect of a Reference Entity have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) and (ii) in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then:

- (i) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (A) Credit Linked Condition 1 (*Redemption of Credit Linked Notes*) shall apply; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date (or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 (*Cash Settlement*), Credit Linked Condition 3 (*Physical Settlement*) or Credit Linked Condition 4 (*Auction Settlement*), as applicable, shall apply to the relevant Credit Event Portion of the Notes.

#### 8. **Credit Derivatives Determinations Committee Extension**

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) then the Calculation Agent shall notify Noteholders in accordance with Condition 15 (*Notices*) that the Maturity Date has been postponed to a date (the "**DC Cut-off Date**") being the earliest of: (i) fifteen (15) Business Days following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred; (ii) the second business day following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred and (iii) fifteen (15) Business Days following the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine whether a Credit Event has occurred and:

- (i) where a Credit Event has not occurred on or prior to the DC Cut-off Date:
  - (A) Credit Linked Condition 1 (*Redemption of Credit Linked Notes*) shall apply; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only

be obliged to make such payment of interest on the fifth (5th) Business Day following the DC Cut-off Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or

- (ii) where a Credit Event has occurred on or prior to the DC Cut-off Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 (*Cash Settlement*), Credit Linked Condition 3 (*Physical Settlement*), or Credit Linked Condition 4 (*Auction Settlement*), as applicable, shall apply to the relevant Credit Event Portion of the Notes.

## 9. Maturity Date Extension

Without prejudice to Credit Linked Condition 12 (*Settlement Suspension*), if:

- (x) on or prior to (A) the Scheduled Maturity Date or, (B), if applicable, the Repudiation/Moratorium Evaluation Date, (C) if Grace Period Extension is specified as applying in the Applicable Transaction Terms, the Grace Period Extension Date, or (D) if applicable, the DC Cut-off Date, as the case may be, Conditions to Settlement have not been satisfied but, in the opinion of the Calculation Agent, a Credit Event may have occurred; or
- (y) on or prior to the Scheduled Maturity Date, in the opinion of the Calculation Agent a Potential Repudiation/Moratorium may have occurred,

the Calculation Agent may at its option notify the Noteholders in accordance with Condition 15 (*Notices*) that the Maturity Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date or the DC Cut-off Date, as the case may be, has been postponed to a date (such date the "**Postponed Maturity Date**") specified in such notice falling on the fifth (5th) Business Day immediately following the fourteenth (14th) calendar day after the Scheduled Maturity Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date or the DC Cut off Date, as the case may be, or if such day is not a Business Day the immediately succeeding Business Day, and:

where:

- (i) the case of Credit Linked Condition 9(x), Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date or, in the case of Credit Linked Condition 9(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date:
  - (A) Credit Linked Condition 1 (*Redemption of Credit Linked Notes*) shall apply; and
  - (B) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii)
  - (A) in the case of Credit Linked Condition 9(x), Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Credit Linked Condition 2 (*Cash Settlement*), Credit Linked Condition 3 (*Physical Settlement*) or Credit Linked Condition 4 (*Auction Settlement*) as applicable shall apply to the relevant Credit Event Portion of the Notes; or
  - (B) in the case of Credit Linked Condition 9(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Credit Linked Condition 6 (*Repudiation/Moratorium Extension*) shall apply to the relevant Credit Event Portion of the Notes.

10. **Physical Delivery**

- (a) If any Credit Event Portion of a Credit Linked Notes, other than a Credit Linked Note represented by a U.S. Global Note, is to be redeemed by delivery of the Asset Amount(s), in order to obtain delivery of the Asset Amount(s) in respect of any Credit Event Portion of a Note:
- (X) if such Note is represented by a Global Note, the relevant must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Paying Agent and the Calculation Agent no later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice in the form described below; and
  - (Y) if such Note is in definitive form, the relevant Noteholder must deliver, to any Paying Agent with a copy to the Principal Paying Agent no later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice, a copy of which may be obtained from the Calculation Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such Note is in definitive form, in writing.

If this Note is in definitive form, this Note must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

- (i) specify the name, address and contact telephone number of the relevant Noteholder and the person from whom the Issuer may obtain details for the Delivery of the Asset Amount;
- (ii) specify the series number of the Notes and the number of Notes which are the subject of such notice;
- (iii) in the case of Notes represented by a Global Note, specify the principal amount which is the subject of such notice and the number of the Noteholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Notes and irrevocably instruct and authorise the relevant Clearance System to debit the relevant Noteholder's account with the Credit Event Portion of such Notes on or before the Physical Settlement Date;
- (iv) include an undertaking to pay all Delivery Expenses (as defined below) and, in the case of Notes represented by a Global Note, an authority to debit a specified account of the Noteholder with Euroclear or Clearstream, Luxembourg, as the case may be in respect thereof and to pay such Delivery Expenses;
- (v) include such details as are required for Delivery of the Asset Amount which may include account details and/or the name and address of any person(s) into whose name evidence of the Asset Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Asset Amount are to be delivered and specify the name and number of the Noteholder's account to be credited with any cash payable by the Issuer;
- (vi) certify that the beneficial owner of each Note is not a U.S. person (as defined in the Asset Transfer Notice), the Notes is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof; and
- (vii) authorise the production of such certification in any applicable administrative or legal proceedings.

The form of Asset Transfer Notice will be made available by the Issuer to Noteholders in accordance with such procedures as will be confirmed by the Issuer in accordance with Condition 15 (*Notices*) following any determination by the Issuer that the Notes are to be redeemed by delivery of the Asset Amount(s).

(b) ***Notification of Deliverable Obligations***

The Issuer shall give notice to Noteholders prior to the relevant Physical Settlement Date of the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value.

(c) ***Verification of the Noteholder***

In the case of Notes represented by a Global Note, upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person Delivering the Asset Transfer Notice is the holder of the Notes described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, will confirm to the Principal Paying Agent the series number and number of Notes the subject of such notice, the relevant account details and the details for the Delivery of the Asset Amount of each Note. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, will on or before the Physical Settlement Date, debit the securities account of the relevant Noteholder with the Credit Event Portion of the relevant Notes.

(d) ***Determinations and Delivery Expenses***

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made, in the case of Notes represented by a Global Note, by Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of Notes in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s) and the relevant Noteholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent immediately after being delivered or sent as provided in paragraph (a) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of Notes represented by a Global Note, Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of Note in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

All costs, taxes, duties and/or expenses including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, duties or taxes which the Calculation Agent determines may be or would be, or would have been incurred (i) in connection with the redemption of the Notes and/or the Delivery of the Asset Amount in respect of such Notes and (ii) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the Note ("**Delivery Expenses**") shall be for the account of the relevant Noteholder and no Asset Amount will be Deliverable until the relevant Delivery Expenses have been met or otherwise accounted for to the satisfaction of the Issuer.

(e) **Delivery**

- (i) Subject to:
- (A) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Cut-Off Date; and
  - (B) all Delivery Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant Noteholder,

the Issuer shall, at the risk of the relevant Noteholder, Deliver or procure the Delivery of the Asset Amount for the Credit Event Portion of each Note, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice on the Physical Settlement Date. Where the Asset Transfer Notice stipulates that the Asset Amount should be Delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to Deliver such Asset Amount will be discharged by Delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Asset Amount so Delivered.

- (ii) If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Paying Agent, on or prior to the Cut-Off Date, then:
- (A) the Issuer may elect, in its sole discretion to Deliver or procure the Delivery of the aggregate Asset Amounts for the Credit Event Portion of all such affected Notes, at the risk of the relevant Noteholder, to, or to the order of, the relevant Clearance System(s) in which the Notes are held and its obligation to Deliver any such Asset Amount so Delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the Notes must look solely to the relevant Clearance System for his share of each such Asset Amount so Delivered to, or to the order of, such Clearance System. For the purposes of paragraph (iv) below, each Clearance System will be deemed to be a single Noteholder and each Clearance System will be requested to divide and deliver such Asset Amounts in accordance with its rules; or
  - (B) the Asset Amount(s) will be Delivered as soon as practicable after the scheduled Physical Settlement Date (in which case, such date of Delivery shall be deemed to be the Physical Settlement Date) at the risk of such Noteholder in the manner provided below, Provided That if, in respect of a Notes, a Noteholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut Off Date, the obligations of the Issuer and the Guarantor in respect of such Notes shall be discharged and neither the Issuer nor the Guarantor shall have any liability in respect thereof. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Physical Settlement Date falling after the date fixed for redemption and no liability in respect thereof shall attach to the Issuer.
- (iii) To the extent that the Issuer is not satisfied that the Delivery Expenses have been or will be paid in full by the relevant Noteholder on or prior to the relevant Physical Settlement Date, the Issuer may, in its sole discretion, elect to reduce the Asset Amount(s) to be Delivered to that Noteholder by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Delivery Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Asset Amount as so reduced, the "**Reduced Asset Amount**"). Where the Issuer elects to make such a reduction, in accordance with this Credit Linked Condition 10(e)(ii) the Issuer's obligation to Deliver the Asset

Amount(s) shall be discharged in full by Delivery of the Reduced Asset Amount(s) in accordance with the provisions of this Credit Linked Condition 10(e). The provisions of these Credit Linked Conditions shall apply *mutatis mutandis* to any such Delivery of the Reduced Asset Amount.

- (iv) For the purpose of determining the Asset Amounts in respect of the Notes, Notes held by the same Noteholder will be aggregated. The aggregate Asset Amount(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the relevant Deliverable Obligation (or, where there is more than one type of Deliverable Obligation, each of the Deliverable Obligations), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Deliverable Obligation or of each of the Deliverable Obligations, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the Noteholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent in good faith and in a commercially reasonable manner and notified to Noteholders in accordance with Condition 15 (*Notices*).

(f) **General**

After Delivery of an Asset Amount in respect of a Note and for the Intervening Period, none of the Issuer, the Guarantor, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the securities or obligations included in such Asset Amount, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations included in such Asset Amount or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations included in such Asset Amount.

- (g) In relation to each Deliverable Obligation constituting any Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Physical Settlement Date provided that if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver or, if applicable, shall attempt to Deliver where possible all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 65th Business Day following the Scheduled Physical Settlement Date (the "**Final Delivery Date**") or such earlier date as the Calculation Agent may select and notify to the Noteholders in accordance with Condition 15, taking into account the terms of any transaction or arrangements entered into by the Issuer and/or its Affiliates to hedge obligations of the Issuer in respect of the Notes, provided further that if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Credit Linked Condition 11 (*Partial Cash Settlement*) shall apply.

- (h) If any Note represented by a U.S. Global Note is to be redeemed (in whole or in part) by Delivery of an Asset Amount, the relevant provisions relating to such Delivery shall be set out in the Applicable Transaction Terms.

11. **Partial Cash Settlement**

If all or a portion of the obligations comprising the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, the Issuer shall give notice (a "**Partial Cash Settlement Notice**") to the Noteholders in accordance with Condition 15 (*Notices*) and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

In the Partial Cash Settlement Notice, the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

Unless otherwise specified in the Applicable Transaction Terms, for the purposes of this Credit Linked Condition 11 the following terms shall be defined as follows:

**"Full Quotation"** means, in relation to any Undeliverable Obligation and in accordance with the Quotation Method, each firm quotation expressed as a percentage obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance equal to the Quotation Amount.

**"Indicative Quotation"** means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

**"Market Value"** means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the Applicable Transaction Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (b) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; (vii) if two or more Full Quotations or a Weighted Average Quotation are not obtained or (if applicable) fewer than three Indicative Quotations are obtained, the Market Value shall be determined as provided in paragraph (b) of the definition of "Quotation" below; and (viii) if the Quotations are deemed to be zero, the Market Value shall be zero.

**"Partial Cash Settlement Amount"** is deemed to be, for each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price or Auction Final Price, if applicable, with respect to such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, less, if applicable, (C) Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), and (ii) zero.

**"Partial Cash Settlement Date"** means, subject to Credit Linked Condition 12 (*Settlement Suspension*), the day falling five (5) Business Days after (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date, as applicable, in each case in respect of such Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

**"Quotation"** means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the Applicable Transaction Terms, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the Applicable Transaction Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.
- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the Applicable Transaction Terms, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day, Provided That, the Calculation Agent may, at its discretion, elect not to use such Full Quotation or weighted average of any firm quotations determined in respect of such tenth Business Day and, if it so elects, will use such full quotations, weighted average quotation or firm quotations provided to the Calculation Agent on any of the five Business Days immediately following such tenth Business Day in accordance with the terms of any transaction or arrangement entered into by the Issuer and/or its Affiliates to hedge obligations of the Issuer in respect of the Notes (and each such full quotation shall be deemed to be a Full Quotation and each weighted average quotation shall be deemed to be a Weighted Average Quotation for the purposes of these Credit Linked Condition) and shall use such full quotations, weighted average quotation or firm quotations as follows:
  - (i) if two or more full quotations or a weighted average quotation is provided to the Calculation Agent in respect of any additional Business Day, the Calculation Agent shall use such full quotations or weighted average quotation;
  - (ii) if a single full quotation is provided to the Calculation Agent in respect of the fifth additional Business Day, the Calculation Agent shall use such full quotation; or
  - (iii) if firm quotations are provided to the Calculation Agent in respect of the fifth additional Business Days, the Calculation Agent shall use the weighted average of such firm quotations for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not provided.
- (c) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (d) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be

expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

"**Quotation Amount**" is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be.

"**Quotation Method**" is deemed to be Bid.

"**Reference Obligation**" is deemed to be each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be.

"**Valuation Method**" is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case "Valuation Method" is deemed to be Market.

"**Valuation Time**" is the time specified as such in the Applicable Transaction Terms, or, if no time is so specified, 11:00 a.m. in the principal trading market for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be.

"**Weighted Average Quotation**" means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

## 12. Settlement Suspension

### (a) *Suspension*

Without prejudice to Credit Linked Condition 9 (*Maturity Date Extension*) above, if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of Credit Event Determination Date but prior to the relevant Physical Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, the Calculation Agent may, at its option, determine that the applicable timing requirements of these Credit Linked Conditions and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other provision in these Credit Linked Conditions as determined by the Calculation Agent shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved (i) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (ii) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (A) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (B) not to determine such matters, the relevant timing requirements of these Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

In the event of any such Suspension Period, the Calculation Agent may make (x) such consequential or other adjustment(s) or determination(s) to or in relation to these Credit Linked Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (y) determine the effective date of such adjustment(s) or determination(s).

(b) **Interest**

In the case of interest bearing Notes:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (ii) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Payment Date and no later than the fifth Payment Date following the end of the Suspension Period, all subject to the provisions of Condition 6 (*Interest Provisions*) and Credit Linked Condition 6 (*Repudiation/Moratorium Extension*), Credit Linked Condition 7 (*Grace Period Extension*) and Credit Linked Condition 8 (*Credit Derivatives Determinations Committee Extension*).

13. **Redemption Following a Merger Event**

Where "Merger Event" is specified as applying in the Applicable Transaction Terms, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with Condition 15 (*Notices*) and redeem each Note at the Early Redemption Amount on the Merger Event Redemption Date (as specified in the Applicable Transaction Terms).

14. **Definitions Applicable to Credit Linked Notes**

"**2.5-year Limitation Date**" has the meaning given to that term in the definition of "Limitation Date".

"**5-year Limitation Date**" has the meaning given to that term in the definition of "Limitation Date".

"**20-year Limitation Date**" has the meaning given to that term in the definition of "Limitation Date".

"**Accreted Amount**" means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is specified as being applicable in the Applicable Transaction Terms. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"**Accreting Obligation**" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (b) periodic cash interest is also payable.

**"Additional Credit Event"** means, in respect of Notes, an event specified as such in the Applicable Transaction Terms.

**"Asset Amount"** means, subject to the provisions of Credit Linked Condition 10 (*Physical Delivery*), in respect of each principal amount of Notes equal to the relevant Credit Event Portion, Deliverable Obligations, as selected by the Calculation Agent, with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance (including accrued but unpaid interest (as determined by the Calculation Agent) if "Include Accrued Interest" is specified as applying in the Applicable Transaction Terms, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified as applying in the Applicable Transaction Terms, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified as applying in the Applicable Transaction Terms, excluding accrued but unpaid interest); or
- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to or greater than the relevant Credit Event Portion less, if Unwind Costs are specified as applying in the Applicable Transaction Terms, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date less than or equal to the Unwind Costs.

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

**"Asset Transfer Notice"** means a duly completed asset transfer notice, the form of which may be obtained from the Calculation Agent.

**"Auction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Cancellation Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Covered Transaction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price Determination Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Settlement Date"** shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five (5) Business Days) immediately following the Auction Final Price Determination Date.

**"Auction Settlement Notice"** has the meaning given to that term in Credit Linked Condition 4 (*Auction Settlement*).

**"Bankruptcy"** means a Reference Entity:

- (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

- (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;
- (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) 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 (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof or before the Maturity Date, whichever is earlier;
- (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (f) 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;
- (g) 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 dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter or before the Maturity Date, whichever is earlier; or
- (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in paragraphs (a) to (g) (inclusive).

**"Best Available Information"** means:

- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor".

Information which is made available more than fourteen (14) calendar days after the legally effective date of the Succession Event shall not constitute "Best Available Information".

**"Business Day"** means for the purposes of this Annex only, a day which is a day on which commercial banks and foreign exchange markets are generally open to settle payments (including dealing in foreign exchange and foreign currency deposits) in the jurisdiction of the Credit Linked Specified Currency specified in the Applicable Transaction Terms, and in respect of the Delivery of any Deliverable

Obligations, shall include any day in any jurisdiction on which banks must be open in order to effect settlement of such Delivery.

**"Business Day Convention"** means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustments will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (a) if "Following" is specified as the applicable Business Day Convention in the Applicable Transaction Terms, that date will be the first following day that is a Business Day;
- (b) if "Modified Following" is specified as the applicable Business Day Convention in the Applicable Transaction Terms, that date will be the first following day that is a 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 Business Day; and
- (c) if "Preceding" is specified as the applicable Business Day Convention in the Applicable Transaction Terms, that date will be the first preceding day that is a Business Day.

**"Calculation Agent City Business Day"** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City specified in the Applicable Transaction Terms.

**"Calculation Agent Physical Settlement Notice"** has the meaning given to that term in the definition of Conditions to Settlement.

**"Cash Settlement Notice"** has the meaning given to that term in Credit Linked Condition 2 (*Cash Settlement*).

**"Clearance System"** means DTC, Euroclear, Clearstream, Luxembourg, any successor operator and/or clearing system and/or any additional or alternative clearing system specified in the Applicable Transaction Terms.

**"Conditionally Transferable Obligation"** means a Deliverable Obligation or Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation or Valuation Obligation, as the case may be, other than Bonds, provided, however, that a Deliverable Obligation or Valuation Obligation, as the case may be, other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation or Valuation Obligations, as the case may be, other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation or Valuation Obligations, as the case may be) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation or Valuation Obligations, as the case may be, provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation or Valuation Obligation, as the case may be, be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation or Valuation Obligation, as the case may be, shall not be considered to be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

For purposes of determining whether a Deliverable Obligation or a Valuation Obligation, as the case may be, satisfies the requirements of the definition of "Conditionally Transferable Obligation", such determination shall be made as of the Delivery Date for the Deliverable Obligation or the date of selection of the relevant Valuation Obligation, as the case may be, taking into account only the terms of the Deliverable Obligation or the Valuation Obligation, as the case may be, and any related transfer or consent documents which have been obtained by the Issuer or the Guarantor, as the case may be.

"**Conditions to Settlement**" means the requirements set out in each of (a), (b) and (c), as applicable, below:

- (a) all of the Conditions to Settlement shall be deemed to be satisfied by the occurrence of a Credit Event Determination Date except where such Credit Event Determination Date is subsequently reversed prior to any of (i) the relevant Auction Final Price Determination Date, (ii) a relevant Valuation Date, (iii) the relevant Physical Settlement Date (or, if earlier, a Delivery Date), (iv) the relevant Credit Event Redemption Date or (v) the Maturity Date, as applicable, unless Physical Delivery is specified as the applicable Settlement Method in the Applicable Transaction Terms (or is applicable pursuant to the Fallback Settlement Method) in which case all of the Conditions to Settlement shall be deemed to be satisfied by delivery of a Calculation Agent Physical Settlement Notice as described in (c) below on or following the occurrence of a Credit Event Determination Date;
- (b) if Notice of Publicly Available Information is specified as applicable in the Applicable Transaction Terms, the Notice of Publicly Available Information Condition to Settlement is satisfied if either (i) the Calculation Agent delivers to the Issuer a Notice of Publicly Available Information during one of the periods specified in paragraph (a) of the definition of Credit Event Determination Date or (ii) ISDA publicly announces on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for purposes of the relevant Notes has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (c) where Physical Delivery is specified as the applicable Settlement Method in the Applicable Transaction Terms (or is applicable pursuant to the Fallback Settlement Method), the Calculation Agent delivers to the Issuer a notice of physical settlement (a "**Calculation Agent Physical Settlement Notice**"), subject where applicable to Credit Linked Condition 12 (*Settlement Suspension*), on or prior to:
  - (i) the later of:
    - (A) the thirty-third (33rd) calendar day (subject to adjustment in accordance with the applicable Business Day Convention) after the Credit Event Determination Date; and
    - (B) the thirteenth(13th) calendar day after either (I) the date of the relevant DC Credit Event Announcement, if any, or (II) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date; or
  - (ii) if "Physical Delivery" is applicable pursuant to the Fallback Settlement Method in accordance with Credit Linked Condition 4(B) (*Auction Settlement*) and:
    - (A) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, such Restructuring has occurred where neither "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms), the thirty-third (33rd) calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or
    - (B) the relevant Credit Event is a Restructuring and either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms, either:

- (1) the thirty-third (33rd) calendar day after:
  - (i) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of No Auction Announcement Date, if any; or
  - (ii) a No Auction Announcement Date occurring pursuant to paragraph (c) of the definition of No Auction Announcement Date, if any, in circumstances where no Parallel Auction will be held; or
  - (iii) the Auction Cancellation Date, if any; or
- (2) the second (2nd) Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one should occur, the last Parallel Auction Final Price Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:
  - (i) a No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date and the Issuer has not exercised the Movement Option; or
  - (ii) a No Auction Announcement Date occurs pursuant to paragraph (c) of the definition of No Auction Announcement Date in circumstances where one or more Parallel Auctions will be held,

provided that in the case of paragraphs (c)(i)(B) and (c)(ii), the relevant Credit Event Resolution Request Date occurred on or prior to the date described in paragraph (c)(i)(A).

For purposes of determining whether the conditions of this paragraph (c) have been satisfied, the date of delivery of the Calculation Agent Physical Settlement Notice (whether or not subsequently changed) shall be used.

**"Convertible Obligation"** means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

**"Credit Derivatives Auction Settlement Terms"** means any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

**"Credit Derivatives Determinations Committees"** means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions (each a **"Credit Derivatives Determinations Committee"**), as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof (the **"Rules"**).

**"Credit Event"** means the occurrence of any one or more of the Credit Events specified in the Applicable Transaction Terms which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any Additional Credit Event specified in the Applicable Transaction Terms, as determined by the Calculation Agent.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**"Credit Event Backstop Date"** means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in paragraph (b) of the definition of Repudiation/Moratorium), as determined by DC Resolution, the date that is sixty (60) calendar days prior to the Credit Event Resolution Request Date; or
- (b) otherwise, the date that is sixty (60) calendar days prior to the earlier of:
  - (i) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the Applicable Transaction Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during the Notice Delivery Period; and
  - (ii) in circumstances where:
    - (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraph (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules;
    - (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters; and
    - (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the Applicable Transaction Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer not more than fourteen (14) calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters,

the Credit Event Resolution Request Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Credit Event Determination Date"** means, in respect of any Credit Event:

- (a) subject to paragraph (b) below, if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred, the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the Applicable Transaction Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during either:

- (i) the Notice Delivery Period; or
  - (ii) the period (I) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date (II) to, and including, the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or
- (b) notwithstanding paragraph (a) above, if a DC Credit Event Announcement has occurred, either:
- (i) the Credit Event Resolution Request Date, if
    - (A) either:
      - (1) Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms; or
      - (2) the relevant Credit Event is a Restructuring; and
    - (B) the Credit Event Notice is delivered by the Calculation Agent to the Issuer on or prior to the date falling two (2) Business Days after the Exercise Cut-off Date; or
  - (ii) the first date on which the Credit Event Notice is delivered by the Calculation Agent to the Issuer during (I) the Notice Delivery Period or (II) the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant DC Credit Event Announcement to, and including, the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
    - (A) Auction Settlement is not specified as the applicable Settlement Method in the Applicable Transaction Terms; or
    - (B) Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms and the Credit Event Notice is delivered by the Calculation Agent to the Issuer on a date that is later than the date falling two (2) Business Days after the relevant Exercise Cut-off Date,

provided that, in the case of paragraph (b) above, (1) this shall be subject to any adjustment in accordance with Credit Linked Condition 15 (*Credit Event Notice After Restructuring Credit Event*) and (2) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Calculation Agent to the Issuer unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date; and

provided further that no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, a Physical Settlement Date, a Credit Event Redemption Date or the Maturity Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such

adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to achieve as far as practicable the same economic position of Noteholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

**"Credit Event Notice"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred at or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time).

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is delivered. A Credit Event Notice shall be subject to the requirements regarding notices set out in Condition 15 (*Notices*).

**"Credit Event Portion"** means, in the case of any Credit Event and in respect of each principal amount of the Notes equal to the Calculation Amount, an amount equal to:

- (a) in the case of a Portfolio Credit Linked Note or a Portfolio Maturity Settled Credit Linked Note,
  - (i) the Reference Amount of the Reference Entity in respect of which the Credit Event Notice has been given, expressed as a proportion of the aggregate of the Reference Amounts of all the Reference Entities specified in the Applicable Transaction Terms;  
multiplied by
  - (ii) the Calculation Amount; or
- (b) in all other cases, 100 per cent. (100%) of the Calculation Amount.

**"Credit Event Redemption Amount"** means, in respect of a Credit Event, the amount specified as such in the Applicable Transaction Terms or if no such amount is specified in the Applicable Transaction Terms, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

"A" is the Credit Event Portion in relation to such Credit Event;

"B" is the Final Price or the Auction Final Price, as applicable, in relation to the relevant Reference Obligation or (if specified as applicable in relation to the relevant Reference Entity in the Applicable Transaction Terms) the relevant Valuation Obligation; and

"C" is Unwind Costs in relation to such Credit Event, (unless the Applicable Transaction Terms specify that Unwind Costs are not applicable),

provided that in no event shall the Credit Event Redemption Amount be less than zero.

**"Credit Event Redemption Date"** means, subject to Credit Linked Condition 12 (*Settlement Suspension*), the day falling the number of Business Days specified in the Applicable Transaction Terms (or, if a number of Business Days is not so specified, five (5) Business Days) after (i) the calculation of the Final Price or (ii) the Auction Settlement Date, as applicable.

**"Credit Event Resolution Request Date"** means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof; and

- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the Rules, of Publicly Available Information with respect to the DC Resolutions referred to in paragraphs (a) and (b) above.

**"Currency Amount"** means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Physical Settlement Amendment Notice with respect to that portion of the relevant Note into the currency of denomination of the relevant Replacement Deliverable Obligation.

**"Currency Rate"** means, with respect to (a) a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

**"Currency Rate Source"** means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

**"Cut-off Date"** is the date as specified in the Applicable Transaction Terms.

**"DC Credit Event Announcement"** means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a Credit Event has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) such event occurred on or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time). A DC Credit Event Announcement will be deemed not to have occurred unless (i) the Credit Event Resolution Request Date with respect to such Credit Event occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is twenty-one (21) calendar days following the No Auction Announcement Date, if any, as applicable.

**"DC Cut-off Date"** has the meaning given to that term in Credit Linked Condition 8 (*Credit Derivatives Determinations Committee Extension*).

**"DC No Credit Event Announcement"** means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event with respect to such Reference Entity (or an Obligation thereof).

**"DC Resolution"** has the meaning set out in the Rules.

**"Default Requirement"** means the amount specified as such in the Applicable Transaction Terms or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency or, if a Default Requirement is not specified in the Applicable Transaction Terms, U.S.\$10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

**"Deliver"** means to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the Asset Amount(s) to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of "Credit Event" above or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that if all or a portion of an Asset Amount consists of Direct Loan Participations, "Deliver" means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, "Deliver" means to deliver both the Qualifying Guarantee and the Underlying Obligation. "Delivery" and "Delivered" will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for delivery of such Loan at that time.

**"Deliverable Obligation"** means, subject as provided in Credit Linked Condition 3 (*Physical Settlement*):

- (a) any obligation of such Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the Applicable Transaction Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in sub-paragraph (d) "(A) Method for Determining Deliverable Obligations" below (but excluding any Excluded Deliverable Obligation specified in the Applicable Transaction Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;
- (b) subject to the second paragraph of the definition of "Not Contingent" in sub-paragraph (d)(A)(2)(i) "Method for Determining Deliverable Obligations" below, each Reference Obligation, unless specified in the Applicable Transaction Terms as an Excluded Deliverable Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and

- (d) any Additional Deliverable Obligation of a Reference Entity specified as such in the Applicable Transaction Terms.

(A) **Method for Determining Deliverable Obligations**

For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the Applicable Transaction Terms, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (1) **"Deliverable Obligation Category"** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).
- (2) **"Deliverable Obligation Characteristics"** means any one or more of Not Subordinated, Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, where:
- (i) **"Not Contingent"** means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (x) to convert or exchange such obligation or (y) to require the issuer to purchase or redeem such obligation (if the issuer has exercised the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (x) and (y) of sub-paragraph (i) above have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date

- (ii) **"Assignable Loan"** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the

guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

- (iii) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;
- (iv) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer or the Guarantor, as the case may be, (in either case, to the extent that the Issuer or the Guarantor, as applicable, is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (v) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
  - (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
  - (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (vi) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Physical Settlement Date of not greater than the period specified in the Applicable Transaction Terms;
- (vii) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (viii) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

(B) **Interpretation of Provisions**

- (1) If the Obligation Characteristic "Listed" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;
- (2) if (i) either of the Deliverable Obligation Characteristics "Listed" or "Not Bearer" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;
- (3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics; and
- (4) in the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list: Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the Applicable Transaction Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

- (iii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristic of Not Subordinated, if specified in the Applicable Transaction Terms.
- (iv) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
- (v) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in these Credit Linked Conditions, including without limitation, the definitions of "Partial Cash Settlement Amount" and "Quotation Amount" in Credit Linked Condition 11 (*Partial Cash Settlement*)), when used in connection with Qualifying Guarantees are to be interpreted to be the then "Outstanding Principal Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

**"Deliverable Obligation Terms"** has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

**"Delivery Date"** means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

**"Domestic Currency"** means the currency specified as such in the Applicable Transaction Terms and any successor currency. If no currency is specified in the Applicable Transaction Terms, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

**"Downstream Affiliate"** means an entity, at the date of the event giving rise to the Credit Event which is the subject of the Credit Event Notice, the Delivery Date (in the case of a Deliverable Obligation), the date of selection of the relevant Valuation Obligation (in the case of a Valuation Obligation) or the time of identification of a Substitute Reference Obligation (as applicable), whose outstanding Voting Shares are more than 50 per cent., owned, directly or indirectly, by the Reference Entity. As used herein, "Voting Shares" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"Due and Payable Amount"** means subject as provided in sub-paragraph (4)(vi) of paragraph (B) (*Interpretation of Provisions*) in the definition of Deliverable Obligation (or Valuation Obligation if "Valuation Obligation" is specified as applicable in the relevant Applicable Transaction Terms), the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on

the Delivery Date or a Valuation Obligation on the date of selection of the relevant Valuation Obligation, as the case may be, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

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

"**Eligible Transferee**" means:

- (a) any:
  - (i) bank or other financial institution;
  - (ii) insurance or reinsurance company;
  - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and
  - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship), provided, however, that, in each case, such entity has total assets of at least U.S.\$500 million;
- (b) an Affiliate of an entity specified in the preceding sub-paragraph (a);
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100 million; or
  - (ii) that has total assets of at least U.S.\$500 million; or
  - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keep well, support, or other agreement by an entity described in sub paragraphs (a), (b), (c)(ii) or (d); or
- (d) a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this definition to U.S.\$ include equivalent amounts in other currencies.

"**Enabling Obligation**" means an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Scheduled Maturity Date and following the Limitation Date immediately preceding the Scheduled Maturity Date (or, in circumstances where the Scheduled Maturity Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

"**Equity Securities**" means:

- (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"**Exchangeable Obligation**" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the

benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

**"Excluded Deliverable Obligation"** means any obligation of a Reference Entity specified as such or of a type described in the Applicable Transaction Terms.

**"Excluded Obligation"** means any obligation of a Reference Entity specified as such or of a type described in the Applicable Transaction Terms.

**"Excluded Valuation Obligation"** means any obligation of a Reference Entity specified as such or of a type described in the Applicable Transaction Terms.

**"Exercise Cut-off Date"** means, with respect to a Credit Event:

(a) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, such Restructuring has occurred and neither "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms), either:

- (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
- (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
- (iii) the date that is twenty-one (21) calendar days following the No Auction Announcement Date, if any,

as applicable; or

(b) if such Credit Event is a Restructuring and either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms and:

- (i) the relevant Credit Derivatives Determinations Committee has Resolved that Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is five (5) Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules; or
- (ii) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date, the date that is twenty-one (21) calendar days following such No Auction Announcement Date.

**"Extension Date"** means the latest of:

(a) the Scheduled Maturity Date;

(b) the Grace Period Extension Date if:

- (i) "Grace Period Extension" is specified as applying in the Applicable Transaction Terms;
- (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Failure to Pay that occurs after the Scheduled Maturity Date (determined by reference to the Relevant Time); and
- (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time); and

- (c) the Repudiation/Moratorium Evaluation Date if:
- (i) "Repudiation Moratorium" is specified as a Credit Event in the Applicable Transaction Terms;
  - (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in paragraph (b) of the definition of Repudiation/Moratorium occurs after the Scheduled Maturity Date (determined by reference to the Relevant Time);
  - (iii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time); and
  - (iv) the Repudiation/Moratorium Extension Condition is satisfied.

**"Failure to Pay"** means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure.

**"Fallback Settlement Method"** means, with respect to any Notes for which Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms, the fallback settlement method specified in the Applicable Transaction Terms.

**"Final Delivery Date"** has the meaning given to that term in Credit Linked Condition 10 (*Physical Delivery*)

**"Final List"** has the meaning set out in the Rules.

**"Final Price"** means the price of a Reference Obligation or Valuation Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the Applicable Transaction Terms or, where applicable, Credit Linked Condition 15 (*Credit Event Notice After Restructuring Credit Event*). The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Agent and, for so long as the Notes are listed on any stock exchange at the office of any Paying Agent in such place as may be required by the rules and regulations of that stock exchange (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

**"Full Quotation"** means, in accordance with the Quotation Method, each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation or the relevant Valuation Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

**"Fully Transferable Obligation"** means a Deliverable Obligation or a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation or a Valuation Obligation, as the case may be, other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation or a Valuation Obligation, as the case may be, be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation or a Valuation Obligation, as the case may be, shall not be considered to be a requirement for consent for purposes of this definition of "Fully Transferable Obligation". For purposes of determining whether a Deliverable Obligation or a Valuation Obligation, as the case may be, satisfies the requirements of this definition of "Fully Transferable Obligation", such determination shall be made as of the Delivery Date for the relevant Deliverable Obligation or the date of selection of the relevant Valuation Obligation, as the case may be, taking into account only the terms of the Deliverable Obligation or the Valuation Obligation, as the case may be, and any related transfer or consent documents which have been obtained by the Issuer or the Guarantor, as the case may be.

**"Governmental Authority"** means any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

**"Grace Period"** means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if Grace Period Extension is specified as applying in the Applicable Transaction Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time), the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the Applicable Transaction Terms or, if no period is specified in the Applicable Transaction Terms, thirty (30) calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the Applicable Transaction Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

**"Grace Period Business Day"** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

**"Grace Period Extension Date"** means, if:

- (a) Grace Period Extension is specified as applying in the Applicable Transaction Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time),

the date that is five (5) Business Days following the day falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

**"Hedge Disruption Event"** means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of any transaction entered into by the Issuer and/or any such Affiliate to hedge the obligations or position of the Issuer in respect of the Notes.

**"Hedge Disruption Obligation"** means a Deliverable Obligation included in the Asset Amount which, on the Physical Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

**"Hypothetical Investor"** means, with respect to any Obligation or Reference Obligation, a hypothetical investor in such Obligation or Reference Obligation in the Hypothetical Investor Jurisdiction and who is deemed to have the benefits and obligations, as provided under the terms and conditions of the Obligation or Reference Obligation, of an investor holding, as of the Trade Date (or, if later, its date of issue), an interest in the Obligation or Reference Obligation.

**"Hypothetical Investor Jurisdiction"** means, at any relevant time, the jurisdiction of organisation or formation, as applicable, of the Issuer or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time.

**"Intervening Period"** means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising an Asset Amount.

**"ISDA"** means the International Swaps and Derivatives Association, Inc.

**"Japanese Default Requirement"** means, if the Specified Currency is Japanese Yen, JPY1,000,000,000, or in all other cases, U.S.\$10,000,000 or, in each case, its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

**"Japanese Payment Requirement"** means, if the Specified Currency of the Notes is Japanese Yen, JPY100,000,000, or in all other cases, U.S.\$1,000,000 or, in each case, its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency as of the occurrence of the Failure to Pay or Potential Failure to Pay, as applicable.

**"Japanese Reference Entity"** means a Reference Entity for which the jurisdiction of incorporation or organisation is Japan.

**"Latest Maturity Restructuring Bond or Loan"** has the meaning given to that term in the definition of "Restructuring Maturity Limitation Date".

**"Limitation Date"** means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the "2.5-year Limitation Date"), 5 years (the "5-year Limitation Date"), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the "20-year Limitation Date"), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention unless it is specified in the Applicable Transaction Terms that Limitation Dates will be adjusted in accordance with a specified Business Day Convention.

**"London Business Day"** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

**"Market Value"** means, with respect to a Reference Obligation or Valuation Obligation on a Valuation Date:

- (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);
- (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;
- (d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;
- (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject as provided in the definition of Quotation, an amount as determined by the Calculation Agent on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and
- (f) if fewer than two Full Quotations are obtained, no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the tenth (10th) Business Day following the Valuation Date, the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth (10th) Business Day or, if no Full Quotation is

obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation, Hedge Disruption Obligation or Valuation Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth (10th) Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

**"Merger Event"** means that at any time during the period from (and including) the Trade Date to (but excluding) the Maturity Date (1) the Issuer, the Guarantor, any Affiliate of the Issuer or the Guarantor or a Reference Entity (any such entity, the **"Mergor"**) consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to (a) where the Mergor is the Issuer or the Guarantor or any Affiliate of the Issuer or the Guarantor, a Reference Entity or (b) where the Mergor is a Reference Entity, the Issuer or the Guarantor or any Affiliate of the Issuer or the Guarantor, or, (2) (I) the Guarantor and a Reference Entity or (II) the Issuer and a Reference Entity or (III) any Affiliate of the Issuer or the Guarantor and a Reference Entity, become Affiliates.

**"Minimum Quotation Amount"** means the amount specified as such in the Applicable Transaction Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) U.S.\$1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

**"Modified Eligible Transferee"** means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

**"Modified Restructuring Maturity Limitation Date"** means, with respect to a Deliverable Obligation, as the case may be, the Limitation Date occurring on or immediately following the Scheduled Maturity Date, provided that, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Where "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms and the Scheduled Maturity Date is later than the 2.5-year Limitation Date and prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Maturity Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only.

Subject to the foregoing, in the event that the Scheduled Maturity Date is later than (A) the 2.5 year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

**"Movement Option"** means, where either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms, and where a No Auction Announcement Date has occurred pursuant to paragraph (b) of the definition of No Auction Announcement Date, the option of the Issuer to apply to the Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could be specified in any Calculation Agent Physical Settlement Notice (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with Condition 15 (*Notices*).

**"Movement Option Cut-off Date"** means the date that is six (6) Relevant City Business Days following the Exercise Cut-off Date.

**"Multiple Valuation Date"** shall have the meaning specified in the definition of "Valuation Date" below.

**"Next Currency Fixing Time"** means 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than five (5) London Business Days immediately preceding the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is delivered.

**"No Auction Announcement Date"** means, with respect to a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of a Restructuring where either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms only, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary.

**"Notice Delivery Period"** means the period from and including the Trade Date to and including the date that is fourteen (14) calendar days after the Extension Date.

**"Notice of Physical Settlement"** has the meaning given to that term in Credit Linked Condition 3 (*Physical Settlement*).

**"Notice of Publicly Available Information"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both paragraphs (a) and (b) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applying in the Applicable Transaction Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Credit Linked Condition 21 (*Calculation Agent and Calculation Agent Notices*).

**"Notice to Exercise Movement Option"** means, where (a) either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Calculation Agent to the Issuer that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is delivered on or prior to the Movement Option Cut-off Date.

**"Obligation"** means:

- (a) any obligation of a Reference Entity (either directly, as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the Applicable Transaction Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below (but excluding any Excluded Obligation);
- (b) each Reference Obligation specified in the Applicable Transaction Terms, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such in the Applicable Transaction Terms.

Method for Determining Obligations. For the purposes of paragraph (a) of this definition of "Obligation", the term "Obligation" may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the Applicable Transaction Terms, and having each of the Obligation Characteristics (if any) specified in the Applicable Transaction Terms, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (A) **"Obligation Category"** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the Applicable Transaction Terms, where:
- (1) **"Payment"** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
  - (2) **"Borrowed Money"** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (3) **"Reference Obligations Only"** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
  - (4) **"Bond"** means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
  - (5) **"Loan"** means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
  - (6) **"Bond or Loan"** means any obligation that is either a Bond or a Loan.
- (B) **"Obligation Characteristics"** means any one or more of Not Subordinated, Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the Applicable Transaction Terms, where:
- (1) (a) **"Not Subordinated"** means an obligation that is not Subordinated to (1) the most senior Reference Obligation in priority of payment or (2), if no Reference Obligation is specified in the Applicable Transaction Terms, any unsubordinated Borrowed Money obligation of the Reference Entity provided that, if any of the events set forth under paragraph (a) of the definition of Substitute Reference Obligation has occurred with respect to all of the Reference Obligations or if the final paragraph of the definition of Successor is applicable with respect to the Reference Obligation (each, in each case, a **"Prior Reference Obligation"**) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic or Valuation Obligation Characteristic, as applicable, "Not Subordinated" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic or Valuation Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable, shall be determined as of the date as of which the

relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;

- (b) "**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "Senior Obligation"), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding-up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (2) "**Credit Linked Specified Currency**" means an obligation that is payable in the currency or currencies specified as such in the Applicable Transaction Terms (or, if Credit Linked Specified Currency is specified in the Applicable Transaction Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively in the Applicable Transaction Terms as the "Standard Specified Currencies");
- (3) "**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";
- (4) "**Not Domestic Currency**" means any obligation that is payable in any currency other than the Domestic Currency;
- (5) "**Not Domestic Law**" means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (6) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (7) "**Not Domestic Issuance**" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

"**Obligation Acceleration**" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**"Obligation Currency"** means the currency or currencies in which the Obligation is denominated.

**"Obligation Default"** means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

**"Outstanding Principal Balance"** means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation or Valuation Obligation, as the case may be:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof; and
- (b) with respect to any other obligation, the outstanding principal balance of such obligation,

Provided That with respect to any Exchangeable Obligation that is not an Accreting Obligation, "Outstanding Principal Balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

**"Outstanding Redemption Amount"** means in respect of each principal amount of Notes equal to the Calculation Amount, on any day, the greater of (a) the Final Redemption Amount specified in the Applicable Transaction Terms for such Note less the aggregate of all Credit Event Portions determined pursuant to Credit Linked Condition 2 (*Cash Settlement*), Credit Linked Condition 3 (*Physical Settlement*) or Credit Linked Condition 4 (*Auction Settlement*) (as applicable) determined up to and including such day and (b) zero.

**"Parallel Auction"** means "Auction" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Cancellation Date"** means "Auction Cancellation Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Final Price Determination Date"** means "Auction Final Price Determination Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Date"** means "Auction Settlement Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Terms"** means, following the occurrence of a Restructuring where either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction.

**"Pass-Through Event"** means in respect of any Reference Entity:

- (a) any event that (i) results in the Issuer or any of its agents or Affiliates receiving less than the full value of any principal, interest or other amounts due on any Obligation or Reference Obligation in respect of that Reference Entity on the date such amounts are due; or (ii) affects in any way the cost to or ability of the Issuer or its agents or Affiliates of acquiring, holding, realising or redeeming the Reference Obligations, or of hedging, directly or indirectly, the obligations of the Issuer in respect of the Notes,

or of converting any Obligation Currency amount into the Specified Currency or Settlement Currency, as the case may be, (or any other freely convertible and transferable currency) or vice versa;

- (b) any custodian used by the Issuer or any of its agents or Affiliates for the purposes of hedging exposure to the relevant Reference Entity in respect of the Notes: (i) is dissolved, becomes insolvent or is unable to pay its debts as they become due, makes a general assignment, arrangement or composition with or for the benefit of its creditors, institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any law, has a secured party take possession of all or substantially all its assets, or takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts or any analogous event or circumstance exists or occurs; or (ii) fails to do one or more of the following:
- (A) deliver or credit any Obligation Currency, or Obligations owned by the Issuer or any of its agents or Affiliates, to the account of the Issuer (or of any of its agents or Affiliates) as instructed by the Issuer (or any of its agents or Affiliates);
  - (B) deliver any Obligation Currency to a third party when requested to do so by the Issuer (or any of its agents or Affiliates);
  - (C) surrender any Obligations owned by the Issuer (or any of its agents or Affiliates) when requested to do so by the Issuer (or any of its agents or Affiliates);
  - (D) purchase or sell any Obligations or take any other action when instructed to do so by the Issuer (or any of its agents or Affiliates); or
  - (E) perform in a full and timely manner all of its obligations to the Issuer (or any of its agents or Affiliates) under any custodian or similar arrangements entered into by the Issuer (or any of its agents or Affiliates) at any time in relation to Obligations and/or an Obligation Currency (which shall include, for the avoidance of doubt, a repudiation or termination of any such arrangements without the prior consent of the Issuer (or any of its agents or Affiliates)); or
- (c) (i) (A) the enactment, promulgation, execution, ratification or adoption of, or any change in or amendment to, any rule, law, regulation or statute (or in the applicability or official interpretation of any rule, law, regulation or statute) by or in relation to the Reference Entity or by any governmental authority, (B) the issuance of any order or decree by any governmental authority, (C) any action being taken by a taxing authority in the jurisdiction of the Reference Entity, or (D) the occurrence of any other act or event at any time relating to withholding or deduction for or on account of tax in relation to any Obligations, which (in the case of (A), (B), (C) or (D) above) will adversely affect the economic value of any Obligation or Reference Obligation to the Hypothetical Investor; (ii) the imposition of taxes on the transfer of any relevant currency out of the jurisdiction of the Reference Entity, (iii) the imposition of any additional taxes on debt of the Reference Entity issued in the jurisdiction of the Reference Entity, or (iv) the imposition of any taxes on any conversion of an Obligation Currency into the Specified Currency or the Settlement Currency (as the case may be).

**"Payment Requirement"** means the amount specified as such in the Applicable Transaction Terms or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the Applicable Transaction Terms, USD1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

**"Permissible Deliverable Obligations"** has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

**"Permitted Currency"** means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a credit rating for its local currency long term debt denoting the highest available credit worthiness by any international credit rating agency.

**"Physical Settlement Amendment Notice"** has the meaning given to that term in Credit Linked Condition 3 (*Physical Settlement*).

**"Physical Settlement Date"** means, subject to the provisions of Credit Linked Condition 10 (*Physical Delivery*) in relation to any Deliverable Obligation, the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the **"Scheduled Physical Settlement Date"**) provided that:

- (a) if a Hedge Disruption Event has occurred and is continuing on the second (2nd) Business Day immediately preceding the Scheduled Physical Settlement Date, the Physical Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling 65 Business Days following the Scheduled Physical Settlement Date; or
- (b) if such day is not a Relevant Clearance Business Day, it shall be postponed to the immediately following Relevant Clearance Business Day.

**"Physical Settlement Period"** means, subject to Credit Linked Condition 12 (*Settlement Suspension*), the number of Business Days specified as such in the Applicable Transaction Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising an Asset Amount, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

**"Portfolio Credit Linked Note"** means each Credit Linked Note indicated as such in the Applicable Transaction Terms, where the Issuer purchases credit protection from the Noteholders in respect of two or more Reference Entities on a pro rata basis. Satisfaction of the Conditions to Settlement with respect to any of the Reference Entities will, unless otherwise specified in the Applicable Transaction Terms, result in a proportional redemption of the Notes pursuant to these Credit Linked Conditions, by cash, physical or auction settlement, as specified in the Applicable Transaction Terms.

**"Portfolio Maturity Settled Credit Linked Note"** means each Credit Linked Note indicated as such in the Applicable Transaction Terms and in respect of which Cash Settlement or Auction Settlement is specified as applicable in the Applicable Transaction Terms, where the Issuer purchases credit protection from the Noteholders in respect of two or more Reference Entities on a pro rata basis. Satisfaction of the Conditions to Settlement with respect to any of the Reference Entities will, unless otherwise specified in the Applicable Transaction Terms, result in a reduction of the Outstanding Redemption Amount of the Notes on the date the related Final Price is calculated, provided that redemption of the Notes by cash settlement or auction settlement pursuant to these Credit Linked Conditions shall not occur until the Maturity Date.

**"Potential Credit Event"** means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation

Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.

**"Potential Failure to Pay"** means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

**"Potential Repudiation/Moratorium"** means the occurrence of an event described in paragraph (a) of the definition of Repudiation/Moratorium.

**"Publicly Available Information"** means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
  - (i) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer, the Guarantor or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer, the Guarantor or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation;
  - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
  - (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; or
  - (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.
- (b) In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for the Obligation with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to such Obligation.
- (c) In relation to any information of the type described in paragraphs (a)(ii), (iii) and (iv) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.
- (d) Publicly Available Information need not state:

- (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
- (ii) that such occurrence:
  - (A) has met the Payment Requirement or Default Requirement;
  - (B) is the result of exceeding any applicable Grace Period; or
  - (C) has met the subjective criteria specified in certain Credit Events.

**"Public Source"** means each source of Publicly Available Information specified as such in the Applicable Transaction Terms (or if a source is not specified in the Applicable Transaction Terms, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

**"Qualifying Affiliate Guarantee"** means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

**"Qualifying Guarantee"** means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**) and that is not at the time of the Credit Event Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor (with references in the definition of Subordination to the Reference Entity deemed to refer to the Underlying Obligor). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation.

**"Qualifying Participation Seller"** means any participation seller that meets the requirements specified in the Applicable Transaction Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

**"Quotation"** means, in respect of any Reference Obligation or Valuation Obligation, each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation or Valuation Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were

obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

- (b)
  - (i) If "Include Accrued Interest" is specified in the Applicable Transaction Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
  - (ii) if "Exclude Accrued Interest" is specified in the Applicable Transaction Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
  - (iii) if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the Applicable Transaction Terms in respect of Quotations, the Calculation Agent shall determine based on the then current market practice in the market of the Reference Obligation or Valuation Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

**"Quotation Amount"** means the amount specified as such in the Applicable Transaction Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the Applicable Transaction Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

**"Quotation Dealer"** means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained, including each Quotation Dealer specified in the Applicable Transaction Terms. If no Quotation Dealers are specified in the Applicable Transaction Terms, the Calculation Agent shall select the Quotation Dealers. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

**"Quotation Method"** means the applicable Quotation Method specified in the Applicable Transaction Terms by reference to one of the following terms:

- (a) **"Bid"** means that only bid quotations shall be requested from Quotation Dealers;
- (b) **"Offer"** means that only offer quotations shall be requested from Quotation Dealers;  
or
- (c) **"Mid-market"** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the Applicable Transaction Terms, Bid shall apply.

**"Received Reference Obligations Interest Amount"** means any aggregate interest amount received on a Reference Obligation Interest Payment Date by the Hypothetical Investor in respect of a holding of Reference Obligations of an aggregate principal or nominal amount (if necessary rounded down to the nearest whole unit) equal to the Calculation Amount (or the Reference Obligation currency amount equivalent thereof), all as determined by the Calculation Agent.

**"Reference Amount"** means the amount and the currency in which the Issuer has purchased credit protection from the Noteholders in respect of each Reference Entity, as specified in the Applicable Transaction Terms.

**"Reference Entity"** means the entity or entities specified as such in the Applicable Transaction Terms. Any Successor to a Reference Entity identified pursuant to the definition of **"Successor"** in this Credit Linked Condition 14 on or following the Trade Date (which may include an entity determined to be a Successor in accordance with the Rules) shall, in each case, be a Reference Entity for the purposes of the relevant Series.

**"Reference Obligation Interest Payment Date"** means any day on which the Hypothetical Investor receives payment on account of interest in respect of the Reference Obligations.

**"Reference Obligation"** means each obligation specified or of a type described as such in the Applicable Transaction Terms (if any are so specified or described) and any Substitute Reference Obligation.

**"Reference Transaction"** means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms and the Reference Obligation are:
  - (i) the same as in respect of the Notes (if such Deliverable Obligation Terms and Reference Obligation are specified in the Applicable Transaction Terms); or
  - (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation or Valuation Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the Notes; and
- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer's hedging arrangements and/or any credit derivative elections made in relation to the Notes.

**"Relevant City Business Day"** has the meaning set out in the Rules.

**"Relevant Clearance Business Day"** is a day which is:

- (a) a Business Day; and
- (b)
  - (i) where the Deliverable Obligations are Bonds, a day on which the relevant clearance system for settlement of the Bonds is open for the acceptance and execution of settlement instructions other than a day on which such clearance system is scheduled to close prior to its regular weekday closing time; or
  - (ii) where the Deliverable Obligations are Loans, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of denomination of the relevant Loan, or if such currency is euro, a day on which the TARGET2 System (as defined in the Conditions) is open.

**"Relevant Obligations"** means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed

precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

**"Relevant Time"** means Greenwich Mean Time (or Tokyo time for the purpose of Japanese Reference Entities).

**"Replaced Deliverable Obligation Outstanding Amount"** has the meaning given to that term in Credit Linked Condition 3 (*Physical Settlement*).

**"Replacement Deliverable Obligation"** has the meaning given to that term in Credit Linked Condition 3 (*Physical Settlement*).

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

**"Repudiation/Moratorium"** means the occurrence of both of the following events:

- (a) an authorised officer of a Reference Entity or a Governmental Authority:
  - (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
  - (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto or de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

**"Repudiation/Moratorium Evaluation Date"** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time), (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

**"Repudiation/Moratorium Extension Condition"** will be satisfied:

- (i) if ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 9 (*Maturity Date Extension*) applies, the Postponed Maturity Date (determined by reference to the Relevant Time); or
- (ii) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available is specified as applicable in the Applicable Transaction Terms, a Notice of Publicly

Available Information on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date (determined by reference to the Relevant Time).

**"Repudiation/Moratorium Extension Notice"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is delivered.

**"Resolve"** has the meaning set out in the Rules, and "Resolved" and "Resolves" shall be interpreted accordingly.

**"Restructured Bond or Loan"** means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

**"Restructuring"** means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between a Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all the holders of that Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (a) the Credit Event Backstop Date applicable to the relevant Notes and (b) the date as of which such Obligation is issued or incurred:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (iii) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;
- (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (a) the payment in euro of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

- (b) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (c) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Credit Linked Condition 16 (*Provisions Relating to Multiple Holder Obligation*), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the Applicable Transaction Terms, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

**"Restructuring Date"** means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Restructuring Maturity Limitation Date"** means with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date, provided that, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **"Latest Maturity Restructured Bond or Loan"**) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Maturity Date is later than (i)(A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (ii) the 20 year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

**"Revised Currency Rate"** means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

**"Rules"** has the meaning given to that term in the definition of "Credit Derivatives Determinations Committees" above.

**"Scheduled Maturity Date"** has the meaning specified in the Applicable Transaction Terms.

**"Settlement Currency"** means the currency specified as such in the Applicable Transaction Terms, or if no currency is specified in the Applicable Transaction Terms, the Specified Currency of the Notes.

**"Settlement Method"** means, if (a) Auction Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms, Auction Settlement, (b) Cash Settlement is specified as the applicable Settlement Method in the Applicable Transaction Terms, Cash Settlement, or (c) Physical Delivery is specified as the applicable Settlement Method in the Applicable Transaction Terms, Physical Delivery.

**"Single Valuation Date"** shall have the meaning as specified in the definition of "Valuation Date" below.

**"Sovereign"** means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including without limiting the foregoing, the central bank) thereof.

**"Sovereign Agency"** means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

**"Sovereign Restructured Deliverable Obligation"** means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the Applicable Transaction Terms, and, subject to sub-paragraph (3) of sub-paragraph (B) (Interpretation of Provisions) in the definition of "Deliverable Obligation", having each of the Deliverable Obligation Characteristics, if any, specified in the Applicable Transaction Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

**"Sovereign Restructured Valuation Obligation"** means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Valuation Obligation Category specified in the Applicable Transaction Terms, and, subject to sub-paragraph (3) of sub-paragraph (B) (Interpretation of Provisions) in the definition of "Valuation Obligation", having each of the Valuation Obligation Characteristics, if any, specified in the Applicable Transaction Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Valuation Obligation Category or Valuation Obligation Characteristics after such Restructuring.

**"Specified Number"** means the number of Public Source(s) specified in the Applicable Transaction Terms, or if no number is specified in the Applicable Transaction Terms, two.

**"Standard Unwind Costs"** shall have the meaning as specified in the definition of "Unwind Costs" below.

**"Substitute Reference Obligation"** means any of (1) the relevant Substitute Reference Obligation(s) specified in the Applicable Transaction Terms or (2) one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the Applicable Transaction Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations in respect of such Reference Entity, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that:
  - (i) a Reference Obligation in respect of such Reference Entity is redeemed in whole; or
  - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation in respect of such Reference Entity have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation in respect of such Reference Entity is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation in

respect of a Reference Entity is no longer an obligation of such Reference Entity,

the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation in respect of a Reference Entity.

- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (1) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (3) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the Applicable Transaction Terms, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.
- (c) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all such Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each such Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If:
  - (i) more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of such Reference Obligations; or
  - (ii) only one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation,

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the Extension Date. If (A) either (x) Cash Settlement is specified as the Settlement Method in the Applicable Transaction Terms (or is applicable pursuant to the Fallback Settlement Method) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (y) either Auction Settlement or Physical Delivery is specified as the Settlement Method in the Applicable Transaction Terms (or, in the case of Physical Delivery, is applicable pursuant to the Fallback Settlement Method) and, in each case, the

Reference Obligation is the only Deliverable Obligation or (z) if Valuation Obligation is specified as applicable in the Applicable Transaction Terms and the Reference Obligation is the only Valuation Obligation and (B) on or prior to the Extension Date, a Substitute Reference Obligation has not been identified, the Issuer shall have the right on or after the Extension Date to early redeem the Notes at the Early Redemption Amount (determined by the Calculation Agent taking into account the creditworthiness of the Reference Entity at the time of early redemption) by notice to Noteholders in accordance with Condition 15 (*Notices*). Such notice shall contain details of the procedures and due date for such early redemption.

- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

**"Succession Event"** means (i) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, de merger, consolidation, amalgamation, transfer of assets or liabilities, spin off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (ii) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, "Succession Event" shall not include an event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to the Relevant Time) applicable to the relevant Series.

**"Succession Event Backstop Date"** means:

- (a) for purposes of any event that constitutes a Succession Event, as determined by DC Resolution, the date that is ninety (90) calendar days prior to the Succession Event Resolution Request Date (determined by reference to the Relevant Time); or
- (b) otherwise, the date that is ninety (90) calendar days prior to the earlier of:
- (i) the date on which the Succession Event Notice is delivered; and
  - (ii) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen (14) calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless specified in the Applicable Transaction Terms that the Succession Event Backstop Date will be adjusted in accordance with a specified Business Day Convention.

**"Succession Event Notice"** means a notice from the Calculation Agent to the Issuer that describes a Succession Event that occurred on or after the Succession Event Backstop Date (determined by reference to the Relevant Time).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, of (i) whether a Succession Event has occurred and (ii) if relevant, the identity of any Successor(s).

**"Succession Event Resolution Request Date"** means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event for purposes of a Series has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (i) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (ii) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Successor"** means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
  - (i) if one entity directly or indirectly succeeds to seventy-five per cent. (75%) or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent. (25%) (but less than seventy-five per cent.(75%)) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with Reference Entity, the entities that succeed to more than twenty-five per cent. (25%) of the Relevant Obligations will each be a Successor and these Credit Linked Conditions and/or the Applicable Transaction Terms will be adjusted as provided below;
  - (iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and these Credit Linked Conditions and/or the Applicable Transaction Terms will be adjusted as provided below;
  - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and

- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and
- (b) in relation to a Reference Entity that is a Sovereign, each entity which becomes a direct or indirect successor to that Reference Entity by way of Succession Event irrespective of whether any such successor assumes any of the obligations of such Reference Entity.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen (14) calendar days after the legally effective date of the occurrence of the relevant Succession Event), and with effect from the legally effective date of the occurrence of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make any such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in (a) above and paragraphs (a) and (b)(i) of the definition of Succession Event Resolution Request Date (in the case of a Reference Entity that is not a Sovereign) or (b) above and paragraphs (a) and (b)(ii) of the definition of Succession Event Resolution Request Date (in the case of a Sovereign Reference Entity) are satisfied in accordance with the Rules (until such time (if any) that ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Noteholder(s) at the specified office of the Principal Paying Agent.

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Credit Linked Conditions and/or the Applicable Transaction Terms as it shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of these Credit Linked Conditions and/or the Applicable Transaction Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Notes under the provisions of the 2003 ISDA Credit Derivatives Definitions and any relevant publication published by ISDA.

Where First to Default is specified as applicable in the Applicable Transaction Terms, the additional provisions (1) - (3) below will also apply. These provisions are in addition to and without prejudice to the rights of the Issuer under the provisions of Credit Linked Condition 13 (*Redemption Following a Merger Event*) which will apply where Merger Event is specified as applying in the Applicable Transaction Terms. In particular the Issuer may in each case determine in its sole discretion which of such provisions apply in the case of a Merger Event occurring.

- (1) *Substitution Not Applicable*: Where any Reference Entity (the "**Surviving Reference Entity**") (other than the Reference Entity that is subject to the Succession Event) would be a Successor to any other Reference Entity (the "**Legacy Reference**")

**Entity**") pursuant to a Succession Event through the application of this definition of "Successor" and Substitution is specified as Not Applicable in the Applicable Transaction Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity.

(2) *Substitution Applicable*: Where any Reference Entity (the "**Surviving Reference Entity**") (other than the Reference Entity that is subject to the Succession Event) would be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to a Succession Event through the application of this definition of "Successor" and Substitution is specified as Applicable in the Applicable Transaction Terms:

- (a) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
- (b) the Calculation Agent may but is not required to select any Eligible Reference Entity in accordance with "(3) *Selection of an Eligible Reference Entity*" below as a Successor to the Legacy Reference Entity pursuant to that Succession Event.

(3) *Selection of an Eligible Reference Entity*:

"**Eligible Reference Entity**" means an entity that is in the same industry group (the "**Industry Requirement**") as the relevant Surviving Reference Entity, as determined by the Calculation Agent in its sole and absolute discretion by reference to such source(s) as it determines appropriate, including any international market data sources such as, but not limited to, credit rating agencies;

- (i) that has a bid-side credit spread on any day following the relevant Succession Event no greater than 110% (or such other Credit Spread Requirement if any specified in the Applicable Transaction Terms) of the bid-side credit spread of the relevant Surviving Reference Entity at that same time (the "**Credit Spread Requirement**"), in each case based on a credit default swap:
  - (a) on market standard terms for the relevant entity as at the time of such determination;
  - (b) in respect of a floating rate payer calculation amount equal to at least 50 per cent., but not more than 100 per cent., of the aggregate Outstanding Redemption Amounts of the Notes outstanding at the relevant time; and
  - (c) with a term equal to the period from (and including) the date of the determination to (and including) the Scheduled Maturity Date (the "**Remaining Term**") or, if the Calculation Agent determines it is or may be impractical to obtain quotations in respect of the Remaining Term, the term for the purposes of this sub-clause (c) shall be five years.

The bid-side credit spreads for the purpose of the Credit Spread Requirement shall be the unweighted arithmetic mean of the spread quotations obtained by the Calculation Agent (on the basis of the terms set out above) from at least three Quotation Dealers;

- (ii) that is principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, as determined in good faith and a commercially reasonable manner by the Calculation Agent, where:

"**Geographical Region**" means such region determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, to give best effect to then current credit derivatives market practice in respect of the relevant Surviving Reference Entity (and which may but does not have to be one of North America, Latin America, Western Europe, Eastern Europe, Australia/New Zealand, Singapore, Asia (excluding Japan) or Japan); and

- (iii) that is not the Issuer or an Affiliate of any Reference Entity or the Issuer both immediately prior to and following the relevant Succession Event, as applicable.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 15 (*Notices*), stating the adjustment to these Credit Linked Conditions and/or the Applicable Transaction Terms, the effective dates thereof and giving brief details of the relevant Succession Event.

For the purposes of this definition of "Successor", "**succeed**" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made, in the case of an exchange offer, on the basis of the Outstanding Principal Balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the Outstanding Principal Balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (A) a Reference Obligation is specified in the Applicable Transaction Terms; and
- (B) one or more Successors to the relevant Reference Entity have been identified; and
- (C) any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" above.

The Calculation Agent will also determine the Standard Terms as set out in Credit Linked Condition 24 (*Standard Terms*) which will apply to any Successor and/or all relevant elections in respect of the Successor for purposes of the Applicable Transaction Terms in a commercially reasonable manner.

"**Supranational Organisation**" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns, and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

"**Trade Date**" means the date specified as such in the Applicable Transaction Terms.

"**Transaction Auction Settlement Terms**" means, with respect to a Credit Event, the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, *inter alia*, definitions of "Auction", "Auction Cancellation Date", "Auction Covered Transaction" and "Auction Final Price Determination Date" in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Notes.

**"Undeliverable Obligation"** means a Deliverable Obligation included in the Asset Amount which, on the Physical Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans, the failure of a Noteholder to give the Issuer details of accounts for settlement, or a failure of any Noteholder to open or procure the opening of such accounts) it is impossible or illegal to Deliver on the Physical Settlement Date.

**"Underlying Obligation"** has the meaning given in "Qualifying Guarantee" above.

**"Underlying Obligor"** has the meaning given in the "Qualifying Guarantee" above.

**"Unwind Costs"** means the amount specified in the Applicable Transaction Terms or if "Standard Unwind Costs" are specified in the Applicable Transaction Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption (in whole or in part) of the Notes and the related termination, settlement or re-establishment (in whole or in part) of any hedge or related trading position, such amount to be apportioned pro rata amongst each principal amount of Notes in the Calculation Amount.

**"Valuation Date"** means (a) where Physical Delivery is specified as applying in the Applicable Transaction Terms the day falling five (5) Business Days after the Final Delivery Date (as such term is defined in Credit Linked Condition 10 (*Physical Delivery*)), (b) where Valuation Obligation is specified as applying in the Applicable Transaction Terms a date falling no more than a number of Business Days equal to the relevant Valuation Obligation Determination Period following the Credit Event Determination Event, as selected by the Calculation Agent or (c) otherwise, if "Single Valuation Date" is specified in the Applicable Transaction Terms, the date that is the number of Business Days specified in the Applicable Transaction Terms after the satisfaction of all Conditions to Settlement or, if the number of Business Days is not so specified, five Business Days after the satisfaction of all Conditions to Settlement (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Method, the date that is the number of Business Days specified in the Applicable Transaction Terms or, if the number of Business Days is not so specified, five Business Days after the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), and if "Multiple Valuation Dates" is specified in the Applicable Transaction Terms, each of the following dates:

- (i) Subject to Credit Linked Condition 12 (*Settlement Suspension*) the date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the number of Business Days is not specified, five (5) Business Days) following the satisfaction of all Conditions to Settlement (or if Cash Settlement is the applicable Fallback Settlement Method, the date that is the number of Business Days specified in the Applicable Transaction Terms (or, if the number of Business Days is not specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- (ii) each successive date that is the number of Business Days specified in the Applicable Transaction Terms (or if the number of Business Days is not so specified, five (5) Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the Applicable Transaction Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Applicable Transaction Terms (or, if the number of Valuation Dates is not so specified, five (5) Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the Applicable Transaction Terms, Single Valuation Date shall apply.

**"Valuation Method":**

- (a) The following Valuation Methods may be specified in the Applicable Transaction Terms for a Series with only one Reference Obligation or Valuation Obligation and only one Valuation Date:
- (i) "Market" means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) "Highest" means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the Applicable Transaction Terms, the Valuation Method shall be Highest.

- (b) The following Valuation Methods may be specified in the Applicable Transaction Terms for a Series with only one Reference Obligation or Valuation Obligation and more than one Valuation Date:
- (i) "Average Market" means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
  - (ii) "Highest" means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
  - (iii) "Average Highest" means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the Applicable Transaction Terms, the Valuation Method shall be Average Highest.

- (c) The following Valuation Methods may be specified in the Applicable Transaction Terms for a Series with more than one Reference Obligation or Valuation Obligation and only one Valuation Date:
- (i) **"Blended Market"** means the unweighted arithmetic mean of the Market Value for each Reference Obligation or Valuation Obligation determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) **"Blended Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation or Valuation Obligation with respect to the Valuation Date.

If no such Valuation Method is specified in the Applicable Transaction Terms, the Valuation Method shall be Blended Highest.

- (d) The following Valuation Methods may be specified in the Applicable Transaction Terms for a Series with more than one Reference Obligation or Valuation Obligation and more than one Valuation Date:
- (i) **"Average Blended Market"** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date;
  - (ii) **"Average Blended Highest"** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date; or

- (iii) **"Highest"** means the highest Quotation obtained by the Calculation Agent in respect of any Valuation Date and the relevant Reference Obligation or Valuation Obligation.

If no such Valuation Method is specified in the Applicable Transaction Terms, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

**"Valuation Obligation"** means:

- (a) any obligation of a Reference Entity (either directly, as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the Applicable Transaction Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "(A) Method for Determining Valuation Obligations" below (but excluding any Excluded Valuation Obligation specified in the Applicable Transaction Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the date of selection of the relevant Valuation Obligation, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;
  - (b) subject to the second paragraph of the definition of "Not Contingent" in (d)(A)(2)(i) below, each Reference Obligation, unless specified in the Applicable Transaction Terms as an Excluded Valuation Obligation;
  - (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation (but excluding any Excluded Valuation Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a)-(d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the date on which the Notice of Valuation Obligations is deemed given, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
  - (d) any Additional Valuation Obligation of a Reference Entity specified as such in the Applicable Transaction Terms.
- (A) **Method for Determining Valuation Obligations.** For the purposes of this definition of "Valuation Obligation", the term "Valuation Obligation" may be defined as each obligation of each Reference Entity described by the Valuation Obligation Category specified in the Applicable Transaction Terms, and, subject to (B)(2) below, having each of the Valuation Obligation Characteristics, if any, specified in the Applicable Transaction

Terms, in each case, as of the date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (1) **"Valuation Obligation Category"** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Valuation Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).
- (2) **"Valuation Obligation Characteristics"** means any one or more of Not Subordinated, Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer where:
  - (i) **"Not Contingent"** means any obligation having as of the first date of selection of the relevant Valuation Obligation and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Valuation Obligation Characteristics if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the date of selection of the relevant Valuation Obligation.
  - (ii) If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in clauses (A) and (B) of the preceding paragraph have not been exercised (or such exercise has been effectively rescinded) on or before the date of selection of the relevant Valuation Obligation;
  - (iii) **"Assignable Loan"** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

- (iv) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;
- (v) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer or the Guarantor (as applicable) (in either case, to the extent that the Issuer or the Guarantor (as applicable), is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (vi) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
  - (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
  - (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (vii) "**Maximum Maturity**" means an obligation that has a remaining maturity from the first Valuation Date of not greater than the period specified in the Applicable Transaction Terms;
- (viii) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross ups and other similar amounts), is, or on or prior to the first Valuation Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (ix) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream,

Luxembourg or any other internationally recognised clearing system.

(B) Interpretation of Provisions.

- (1) If the Obligation Characteristic "Listed" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;
- (2) if (i) either of the Valuation Obligation Characteristics "Listed" or "Not Bearer" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Valuation Obligation Category; (ii) the Valuation Obligation Characteristic "Transferable" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Valuation Obligation Category); or (iii) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the Applicable Transaction Terms, the Applicable Transaction Terms shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Valuation Obligation Category;
- (3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Valuation Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics; and
- (4) in the event that an Obligation or a Valuation Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Obligation Category or the Valuation Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.
  - (ii) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Valuation Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list: Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these

purposes, unless otherwise specified in the Applicable Transaction Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

- (iii) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Valuation Obligation Characteristic of Not Subordinated, if specified in the Applicable Transaction Terms.
  - (iv) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Valuation Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
  - (v) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
  - (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in the Credit Linked Conditions, including without limitation, the definition of "Quotation Amount" in Credit Linked Condition 11), when used in connection with Qualifying Guarantees are to be interpreted to be the then "Outstanding Principal Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.
- (5) If only one Valuation Date is specified in the Applicable Transaction Terms, any reference in these Credit Linked Conditions to the first Valuation Date shall be deemed to be a reference to such Valuation Date.
- (6) Where the Standard Terms are applicable to determine the Valuation Obligations the row entitled "Physical Settlement Period" shall not be applicable.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Valuation Obligation as the context admits.

**"Valuation Obligation Determination Period"** means the number of Business Days specified as such in the Applicable Transaction Terms.

"**Valuation Time**" means the time specified as such in the Applicable Transaction Terms or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

"**Voting Shares**" has the meaning given in the definition of "Downstream Affiliate" above.

"**Weighted Average Quotation**" means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

15. **Credit Event Notice After Restructuring Credit Event**

Notwithstanding anything to the contrary in these Credit Linked Conditions, upon the occurrence of a Restructuring with respect to a Series for which either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Applicable Transaction Terms:

- (a) the Calculation Agent may deliver multiple Credit Event Notices with respect to such Restructuring, each such Credit Event Notice setting forth an amount (the "**Partial Redemption Amount**") that may be less than the Reference Amount in respect of the relevant Reference Entity. In such circumstances, the Credit Event Portion shall be deemed to be the Partial Redemption Amount only, and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the Outstanding Redemption Amount of each such Note not so redeemed in part shall remain outstanding and interest shall accrue on the Outstanding Redemption Amount of such Note as provided in Credit Linked Condition 5 (*Interest*) (adjusted in such manner as the Calculation Agent determines to be appropriate), (ii) the provisions of Credit Linked Condition 1 (*Redemption of Credit Linked Notes*) and related provisions shall apply to the Outstanding Redemption Amount of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (iii) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Noteholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to these Credit Linked Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 15 and (y) the effective date of such adjustment(s).
- (c) If the provisions of this Credit Linked Condition 15 apply in respect of the Notes, on redemption of part of each such Note the relevant Note or, if the Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.
- (d) If any Note represented by a U.S. Global Note is to be redeemed (in whole or in part) by delivery of an Asset Amount, the relevant provisions relating to such delivery shall be set out in the Applicable Transaction Terms.
- (e) In the case of Notes for which First to Default is specified as applicable in the Applicable Transaction Terms, where a Partial Redemption Amount applies then subsequent Credit Event Notices may only be delivered in respect of that Reference Entity for which the first Credit Event Notice referred to above is delivered.

16. **Provisions Relating to Multiple Holder Obligation**

Notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (i)

to (v) of the definition of "Restructuring" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

"**Multiple Holder Obligation**" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event, provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in (ii) above.

17. **Provisions Taken from the ISDA Supplement Titled "Additional Provisions – Monoline Insurer as Reference Entity (May 2003)"**

If this Credit Linked Condition 17 is specified as applicable in the Applicable Transaction Terms, the following provisions will apply:

- (a) Obligation and Deliverable Obligation and Valuation Obligations. Paragraph (a) of the definition of "Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) and paragraph (a) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee".
- (b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation or a Valuation Obligation is a Qualifying Policy, paragraph (b) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
  - (A) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond and the Valuation Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond and the Valuation Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "obligation" and "obligor" as used in this Credit Linked Condition 17 in respect of such an Insured Instrument shall be construed accordingly;
  - (B) references in the definitions of Assignable Loan and Consent Required Loan to "the guarantor" and "guaranteeing" shall be deemed to include "the insurer" and "insuring", respectively;
  - (C) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured or the Valuation Obligation Characteristic of Accelerated or Matured, as the case may be, whether or not that characteristic is otherwise specified as applicable in the Applicable Transaction Terms;
  - (D) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics or Valuation Obligation Characteristic, as the case may be are specified in the Applicable Transaction Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
  - (E) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the Maximum Maturity Deliverable Obligation Characteristic or Valuation Obligation Characteristic, as the case may be, shall mean the specified date by which the

Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

- (c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic or the Not Contingent Valuation Obligation Characteristic, as the case may be, solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Credit Linked Condition 17 is applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic or the "Not Contingent" Valuation Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations or Valuation Obligations other than Qualifying Policies.
- (d) Deliver. For the purposes of "Deliver" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and "Deliver" and "Delivered" will be construed accordingly.
- (e) Provisions for Determining a Successor. The paragraph commencing "For the purposes of this definition of "Successor" ..." in the definition of "Successor" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) is hereby amended by adding "or insurer" after "or guarantor".
- (f) Substitute Reference Obligation. The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) is hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Instrument", respectively.
- (g) Other Provisions. For the purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" or "Valuation Obligation" and the definitions of "Credit Event" and "Deliver" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) references to "the Underlying Obligation" and "the Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.
- (h) Additional Definitions.

"**Qualifying Policy**" means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Credit Linked Condition 17 (the "**Insured Instrument**") for which another party (including a special purpose entity or trust) is the obligor (the "**Insured Obligor**"). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being delivered together with the Delivery of the Insured Instrument.

"**Instrument Payments**" means (A) in the case of any Insured Instrument that is in the form of a pass through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the

ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Credit Linked Condition 17(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

"**Certificate Balance**" means, in the case of an Insured Instrument that is in the form of a pass through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

18. **Provisions Taken From The ISDA Supplement Titled "Additional Provisions - Monoline Insurer as Reference Entity (May 2005)"**

If Credit Linked Condition 18 is specified as applicable in the Applicable Transaction Terms, the following provisions will apply:

- (a) **Obligation, Deliverable Obligation and Valuation Obligations.** Paragraph (a) of the definition of "Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) and paragraph (a) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee".
- (b) **Interpretation of Provisions.** In the event that an Obligation, a Deliverable Obligation or a Valuation Obligation is a Qualifying Policy, paragraph (b) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
  - (A) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond and the Valuation Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond and the Valuation Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "obligation" and "obligor" as used in this Credit Linked Condition 18 in respect of such an Insured Instrument shall be construed accordingly;
  - (B) references in the definitions of Assignable Loan and Consent Required Loan to "the guarantor" and "guaranteeing" shall be deemed to include "the insurer" and "insuring", respectively;
  - (C) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured or the Valuation Obligation Characteristic of Accelerated or Matured, as the case may be, whether or not that characteristic is otherwise specified as applicable in the Applicable Transaction Terms;
  - (D) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristic or Valuation Obligation Characteristic, as the case may be, are specified in the Applicable Transaction Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
  - (E) with respect to an Insured Instrument in the form of a pass through certificate or similar funded beneficial interest, the term "Outstanding Principal Balance" shall mean the outstanding Certificate Balance and "maturity", as such term is used in the

Maximum Maturity Deliverable Obligation Characteristic or Valuation Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

- (c) For the avoidance of doubt if Credit Linked Condition 18 is specified as applying in the Applicable Transaction Terms the amendments to paragraph (b) of the definition of "Deliverable Obligation" or "Valuation Obligation" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) provided in Credit Linked Condition 19 shall not be construed to apply to Qualifying Policies and Insured Instruments.
- (d) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Net Contingent Deliverable Obligation Characteristic or Not Contingent Valuation Obligation Characteristic, as the case may be, solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that Credit Linked Condition 18 applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic or the "Not Contingent" Valuation Obligation Characteristic in the content of limited recourse or similar terms, applicable to Deliverable Obligations or Valuation Obligations other than Qualifying Policies.
- (e) Deliver. For the purposes of the definition of "Deliver" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and "Delivery" and "Delivered" will be construed accordingly.
- (f) Provisions for Determining a Successor. The paragraph commencing "For the purposes of this definition of "Successor" ..." in the definition of "Successor" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) is hereby amended by adding "or insurer" after "or guarantor".
- (g) Substitute Reference Obligation. The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Instrument", respectively.
- (h) Restructuring.
  - (A) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (i) to (v) inclusive of the definition of "Restructuring" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) are hereby amended to read as follows:
    - (1) a reduction in the rate or amount or the Instrument Payment in clause (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;
    - (2) a reduction in the amount of the Instrument Payments described in clause (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy;

- (3) a postponement or other deferral of a date or dates for either (A) the payment or accrual of the Instrument Payments described in clause (A)(x) of the definition thereof or (B) the payment of the Instrument Payments described in clause (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;
  - (4) a change in the ranking in priority of payment of (A) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (B) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or
  - (5) any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency which is not a Permitted Currency.
- (B) Paragraph (c) of the definition of "Restructuring" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) is hereby amended by adding "or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy" after "Reference Entity".
- (C) The definitions of "Restructuring in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

"For purposes of the definition of "Restructuring" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) and if Credit Linked Condition 16 (*Provisions Relating to Multiple Holder Obligation*) is specified as applying in the Applicable Transaction Terms for the purposes of this Annex the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in the definition of "Restructuring" shall be deemed to refer to the Insured Obligor and the references to the Reference Entity in paragraphs (a) to (c) inclusive in the definition of "Restructuring" shall continue to refer to the Reference Entity."
- (i) Fully Transferable Obligation and Conditionally Transferable Obligation. In the event that a Fully Transferable Obligation and/or Conditionally Transferable Obligation is specified as applying in the Applicable Transaction Terms and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the Insured Instrument must meet the requirements of the relevant definition and, if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument. References in the definition of Conditionally Transferable Obligation to the guarantor and guaranteeing shall be deemed to include the insurer and insuring, respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "final maturity date", as such term is used in Credit Linked Condition 3 (*Physical Settlement*) and the definition of "Restructuring Maturity Limitation Date", shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

- (j) Other Provisions. For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" or "Valuation Obligation", as the case may be, and the definition of "Credit Event" and "Deliver" in Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*), references to the "Underlying Obligation" and the "Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.

- (k) Additional Definitions.

**"Qualifying Policy"** means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Credit Linked Condition) (the **"Insured Instrument"**) for which another party (including a special purpose entity or trust) is the obligor (the **"Insured Obligor"**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being Delivered together with the Delivery of the Insured Instrument.

**"Instrument Payments"** means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payment of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in sub-paragraph (d) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

**"Certificate Balance"** means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measures of unreimbursed principal investment.

#### 19. Supplement to Provisions Relating to Qualifying Guarantee and Underlying Obligation

If this Credit Linked Condition 19 is specified as applicable in the Applicable Transaction Terms, Credit Linked Condition 14 (*Definitions Applicable to Credit Linked Notes*) shall be amended by:

- (a) the deletion of the definition of **"Downstream Affiliate"** and the substitution of the following therefor:

**"Downstream Affiliate"** means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. (50%) owned, directly or indirectly, by the Reference Entity;

- (b) the deletion of paragraphs (B)(4)(ii) and (B)(4)(iii) of the definition of "Deliverable Obligation" or "Valuation Obligation", as the case may be, the substitution of the following therefor and the re-numbering of the remaining paragraphs accordingly:

"(ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics or the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics or Valuation Obligation Characteristics, if any, specified in the Applicable Transaction Terms from the following list: Not Subordinated, Credit Linked Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the Applicable Transaction Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not

be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law."; and

- (c) the deletion of the definition of "Qualifying Guarantee" and the substitution of the following therefor:

"**Qualifying Guarantee**" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the "**Underlying Obligation**") for which another party is the obligor (the "**Underlying Obligor**"). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee, insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation."

20. **Additional Provisions For LPN Reference Entities**

If Credit Linked Condition 20 is specified as applicable in the Applicable Transaction Terms, notwithstanding anything to the contrary in the Credit Linked Conditions, the following provisions will apply:

- (a) provisions relating to Multiple Holder Obligation will be deemed to be Not Applicable with respect to any Reference Obligation (and any Underlying Loan);
- (b) each Reference Obligation will be an Obligation, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to the definition of "Obligation" in Credit Linked Condition 14, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity;
- (c) each Reference Obligation will be a Deliverable Obligation or Valuation Obligation, as the case may be, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to, the definition of "Deliverable Obligation" or "Valuation Obligation" in Credit Linked Condition 14 and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity.

For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation.

The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic and Valuation Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity;

- (d) the definition of Reference Obligation shall be deleted and the following substituted therefor:

"**Reference Obligation**" means, as of the Trade Date, each of the obligations listed as a Reference Obligation of the Reference Entity in the Applicable Transaction Terms or set forth on the relevant LPN Reference Obligations List (each a "**Markit Published LPN Reference Obligation**"), as published by Markit Group Limited, or any successor thereto, which list is as of the Trade Date available at <http://www.markit.com/marketing/services.php>, any Additional LPN and each Additional Obligation."; and

- (e) the following additional definitions shall apply:

"**Additional LPN**" means any bond issued in the form of a loan participation note (an "**LPN**") by an entity (the "**LPN Issuer**") for the sole purpose of providing funds for the LPN Issuer to (a) finance a loan to the Reference Entity (the "**Underlying Loan**") or (b) provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the "**Underlying Finance Instrument**"), provided that (i) either (x) in the event that there is an

Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity or (y) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics; (ii) the LPN satisfies the following Deliverable Obligation Characteristics or Valuation Obligation Characteristics, as applicable: Transferable, Not Bearer, Credit Linked Specified Currency - Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.

"**Additional Obligation**" means each of the obligations listed as an Additional Obligation of the Reference Entity in the Applicable Transaction Terms or set forth on the relevant LPN Reference Obligations List, as published by Markit Group Limited, or any successor thereto, which list is, as of the Trade Date, available at <http://www.markit.com/marketing/services.php>.

"**First Ranking Interest**" means a charge, security interest (or other type of interest having similar effect) (an "**Interest**"), which is expressed as being "first ranking", "first priority", or similar ("**First Ranking**") in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any related insolvency jurisdiction of the LPN Issuer).

"**LPN Reference Obligation**" means each Reference Obligation other than any Additional Obligation.

For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation constituting a Reference Obligation.

Each LPN Reference Obligation is issued for the sole purpose of providing funds for the Issuer to finance a loan to the Reference Entity. For the purposes of the Credit Linked Conditions each such loan shall be an Underlying Loan.

## 21. **Calculation Agent and Calculation Agent Notices**

Whenever the Calculation Agent is required to act or exercise judgment in relation to these Credit Linked Conditions, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to these Credit Linked Conditions, notify the Issuer, the Guarantor and the Noteholders of such determination. The Calculation Agent is not acting as a fiduciary for or as an adviser to the Noteholders in respect of its duties as Calculation Agent in connection with any Notes.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to these Credit Linked Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Noteholders. Whenever the Calculation Agent is required to make any determination it may, *inter alia*, decide issues of construction and legal interpretation. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent, the Issuer and the Guarantor shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

Any notice to be delivered by the Calculation Agent to the Issuer or the Guarantor, as applicable, pursuant to these Credit Linked Conditions, may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice delivered on or prior to 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent

City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

22. **Amendment of Credit Linked Conditions in Accordance with Market Convention**

The Calculation Agent may from time to time amend any provision of these Credit Linked Conditions (i) to incorporate and/or reflect (x) further or alternative documents or protocols from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or (y) the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees and/or (ii) in any manner which the Calculation Agent determine in a commercially reasonable manner are necessary or desirable to reflect or govern market practice for credit derivative transactions and/or reflect hedging arrangements of the Issuer or its Affiliates. Any amendment made in accordance with this Credit Linked Condition 22 shall be notified to the Noteholders in accordance with Condition 15 (*Notices*).

23. **Variation of Settlement**

If the Applicable Transaction Terms indicates that the Issuer has the option to vary settlement in respect of the Notes, the Issuer may at its sole and absolute discretion in respect of each such Note give notice pursuant to Condition 15 (*Notices*) no later than the tenth (10th) Business Day following the relevant Credit Event Determination Date, that the Settlement Method or Fallback Settlement Method (as applicable) specified in the Applicable Transaction Terms shall be varied either:

- (i) where Cash Settlement is specified, from Cash Settlement to Physical Settlement; or
- (ii) where Physical Settlement is specified, from Physical Settlement to Cash Settlement.

24. **Standard Terms**

If Standard Terms are specified as applicable in the Applicable Transaction Terms, the provisions set out below in respect of the Standard Terms specified in the Applicable Transaction Terms in respect of the relevant Reference Entity(s) set out in this Credit Linked Condition 24 shall apply.

**Corporate Standard Terms**

Part 1 – Corporate Standard Terms

<b>Standard Terms</b>	<b>North American Corporate</b>	<b>North American High Yield Corporate</b>	<b>North American Monoline Insurer Corporate</b>	<b>European Corporate</b>	<b>European Insurance Corporate (Subordinated Debt)</b>	<b>Emerging European Corporate</b>	<b>Emerging European Corporate LPN</b>	<b>Australia &amp; New Zealand Corporate</b>	<b>Japan Corporate</b>	<b>Singapore Corporate</b>	<b>Latin American Corporate B</b>	<b>Latin American Corporate B&amp;L</b>	<b>Asia Corporate</b>
<b>All Guarantees</b>	Not Applicable	Not Applicable	Not Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
<b>Credit Event</b>	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay Restructuring Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Applicable	Bankruptcy Failure to Pay Restructuring	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/Moratorium Restructuring Multiple Holder Obligation: Applicable for Loans and Not Applicable for Bonds	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/Moratorium Restructuring Multiple Holder Obligation: Applicable for Loans and Not Applicable for Bonds	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay Payment Requirement: Japanese Payment Requirement Restructuring Multiple Holder Obligation: Not Applicable Default Requirement: Japanese Default Requirement	Bankruptcy Failure to Pay Restructuring	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/Moratorium Restructuring	Bankruptcy Failure to Pay Restructuring
<b>Obligation Category</b>	Borrowed Money	Borrowed Money	Borrowed Money	Borrowed Money	Borrowed Money	Bond or Loan	Bond or Loan	Borrowed Money	Borrowed Money	Bond or Loan	Bond	Bond or Loan	Bond or Loan

*Corporate Standard Terms*

Standard Terms	North American Corporate	North American High Yield Corporate	North American Monoline Insurer Corporate	European Corporate	European Insurance Corporate (Subordinated Debt)	Emerging European Corporate	Emerging European Corporate LPN	Australia & New Zealand Corporate	Japan Corporate	Singapore Corporate	Latin American Corporate B	Latin American Corporate B&L	Asia Corporate
<b>Obligation Characteristics</b>	None	None	None	None	None	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	None	Not Subordinated	Not Subordinated Credit Linked Specified Currency Standard Specified Currencies & Domestic Currency Not Sovereign Lender	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance
<b>Deliverable Obligation Category / Valuation Obligation Category</b>	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond	Bond or Loan	Bond or Loan
<b>Deliverable Obligation Characteristics / Valuation Obligation Characteristics</b>	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent	Not Subordinated Credit Linked Specified Currency Standard Specified Currencies & Domestic Currency Not Contingent Not Domestic Issuance Assignable Loan Consent Required	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30	Not Subordinated Credit Linked Specified Currency Standard Specified Currencies & Domestic Currency Not Contingent Not Sovereign Lender Not Domestic Issuance Not Contingent Assignable Loan	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Assignable

**Corporate Standard Terms**

<b>Standard Terms</b>	<b>North American Corporate</b>	<b>North American High Yield Corporate</b>	<b>North American Monoline Insurer Corporate</b>	<b>European Corporate</b>	<b>European Insurance Corporate (Subordinated Debt)</b>	<b>Emerging European Corporate</b>	<b>Emerging European Corporate LPN</b>	<b>Australia &amp; New Zealand Corporate</b>	<b>Japan Corporate</b>	<b>Singapore Corporate</b>	<b>Latin American Corporate B</b>	<b>Latin American Corporate B&amp;L</b>	<b>Asia Corporate</b>
	Maximum Maturity: 30 years  Not Bearer	years  Not Bearer	Maturity: 30 years  Not Bearer	years  Not Bearer	years  Not Bearer	Consent Required Loan  Transferable  Not Bearer	Required Loan  Transferable  Not Bearer	Loan  Transferable  Maximum Maturity: 30 years  Not Bearer	years  Not Bearer	Transferable  Maximum Maturity: 30 years  Not Bearer		Assignable Loan  Consent Required Loan  Transferable  Not Bearer	Loan  Transferable  Maximum Maturity: 30 years  Not Bearer
<b>Physical Settlement Period</b>	As per definition of "Physical Settlement Period" in Credit Linked Condition 14 capped at 30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14 capped at 30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14 capped at 30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days

Part 2 – Sovereign Standard Terms

Standard Terms	Asian Sovereign	Emerging European & Middle Eastern Sovereign	Australia Sovereign	New Zealand Sovereign	Japan Sovereign	Singapore Sovereign	Latin America Sovereign	Western European Sovereign
<b>All Guarantees</b>	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
<b>Credit Event</b>	Failure to Pay Repudiation/ Moratorium Restructuring	Failure to Pay Grace Period Extension Applicable Obligation Acceleration Repudiation Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Failure to Pay Repudiation/ Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Failure to Pay Payment Requirement: Japanese Payment Requirement Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Not Applicable Default Requirement: Japanese Default Requirement Credit Linked Condition 15: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring	Failure to Pay Grace Period Extension Applicable Obligation Acceleration Repudiation Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring
<b>Obligation Category</b>	Bond or Loan	Bond	Borrowed Money	Borrowed Money	Borrowed Money	Bond or Loan	Bond	Borrowed Money
<b>Obligation Characteristics</b>	Not Subordinated Not Sovereign Lender Not Domestic Law Not Domestic Issuance Not Domestic Currency	Not Subordinated Not Domestic Law Not Domestic Issuance Not Domestic Currency	None	None	None	Not Subordinated Credit Linked Specified Currency: Standard Specified Currencies & Domestic Currency Not Sovereign Lender	Not Subordinated Not Domestic Law Not Domestic Issuance Not Domestic Currency	None

Standard Terms	Asian Sovereign	Emerging European & Middle Eastern Sovereign	Australia Sovereign	New Zealand Sovereign	Japan Sovereign	Singapore Sovereign	Latin America Sovereign	Western European Sovereign
<b>Deliverable Obligation Category / Valuation Obligation Category</b>	Bond or Loan	Bond	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond	Bond or Loan
<b>Deliverable Obligation Characteristics / Valuation Obligation Characteristics</b>	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer
<b>Physical Settlement Period</b>	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days	30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days"

## 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 2014 [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 50 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](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 2014. These Final Terms contain the applicable terms of the Notes and must be read in conjunction with the Base Prospectus dated 29 July 2014 [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 2014 [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 sub-paragraphs. 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: *[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]*
- [For Credit Linked Notes, if applicable insert: [ ] the "Scheduled Maturity Date"), subject to the provisions of the Credit Linked Conditions and this Final Terms]*
- [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]*
- [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]

[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]

[Credit Linked Redemption: please see paragraph "*Additional Provisions relating to Credit Linked Notes*" at item 58 below and the Credit Linked Conditions for more details]

11. Change of Interest Redemption/Payment Basis: or [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*)
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: [Actual/Actual(ICMA)] / [Actual/Actual(ISDA)] / [Actual/365(Fixed)] / [Actual/360] / [30/360] / [30E/360 or Eurobond Basis] / [30E/360(ISDA)]
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 provisions:** [Applicable – please refer to "*Provisions Applicable to Inflation Linked Notes*", below, for more information] [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 Amount(s) [ ] per Calculation Amount of each Note:
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ] per Calculation Amount
- (b) Maximum Redemption Amount: [ ] per Calculation 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 Amount(s) [ ] per Calculation Amount of each Note:
- (iii) Notice period: [ ]
21. **Final Redemption Amount of each Note** [[ ] per Calculation Amount] / *See Equity-Linked redemption provisions below / See Inflation-Linked Note redemption provisions below / See Credit-Linked Note redemption provisions below*
22. **Early Redemption Amount** [ ]
- Early Redemption Amount (Tax) per Calculation Amount payable on redemption for taxation reasons: [[ ] per Calculation Amount / *specify the amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs*] *[(including the cost, if any, for unwinding hedging arrangements)]*
- Redemption Amount(s) per Calculation Amount payable on an event of default: [[ ] per Calculation Amount / *specify the amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs*] *[(including the cost, if any, for unwinding hedging arrangements)]*
- Early Redemption Amount per Calculation Amount payable following an early redemption pursuant to the Credit Linked Conditions: [[ ] per Calculation Amount / *specify amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs*][Not Applicable]
23. **Equity Linked Note redemption provisions:** [Applicable – please refer to the section headed "Additional Provisions Applicable to Equity Linked Notes Only" below 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*]
25. **Credit-Linked Notes redemption provisions:** [Applicable – please refer to the section headed "*Additional Provisions relating to Credit 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)*

26. **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)*
27. **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)*

28. **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 Linked Notes)] [Not applicable]

*(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

(ix) Share Index Sponsor(s):  
*(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)* [Name of Share Index Sponsor(s)] [Not applicable]

29. **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:

<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
<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<sub>(1)</sub>: [ ]

(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 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): [Name(s) of Share Index Sponsor(s)] [Not applicable]  
*(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

30. **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:

<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
<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 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): [Names of Share Index Sponsor(s)] [Not applicable]  
*(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

31. **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<sup>(i)</sup>:

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)*

*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)*

32. **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:

<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
[Insert]	[Insert]
[Insert]	[Insert]

(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):  
*(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)* [Name(s) of Share Index Sponsor(s)] [Not applicable]

33. **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(s):	<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
	<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)*

34. **Structure 9** [Applicable] [Not applicable]

*(Part 9 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining sub-paragraphs)*

- Conditions)* *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)*

35. **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] [ <i>Delete as applicable</i> ]
(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>(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</i> ]] [Not applicable]
	<i>(in relation to Single Share Linked Notes and Share Basket Linked Notes only)</i>	
(xiii)	Share Index/Indices:	[[ <i>Share Index for Single Share Index Linked Notes and each of the Share Indices for Share Index Basket Linked Notes</i> ]] [Not applicable]
	<i>(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)</i>	
(xiv)	Share Index Sponsor(s):	[ <i>Name(s) of Share Index Sponsor(s)</i> ] [Not applicable]
	<i>(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)</i>	
36.	<b>Structure 11</b>	[Applicable] [Not applicable]
	<i>(Part 11 of Annex 1 to Terms and Conditions)</i>	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Type of Notes:	[Single Share Linked Notes] [Single Share Index Linked Notes] [Share Basket Linked Notes] [Share Index Basket Linked Notes] [ <i>Delete as applicable</i> ]
(ii)	Final Price Date:	[ ]
(iii)	Initial Price Date:	[ ]
(iv)	Observation Period:	[ ]
(v)	C:	[ ] per cent.
(vi)	Final Coupon Percentage:	[ ] per cent.

- (vii) Trigger Percentage: [ ] per cent.
- (viii) X%: [ ] per cent.
- (ix) [Initial Price][Basket<sub>0</sub>] [ ] per cent.
- (x) 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)*
- (xi) 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)*
- (xii) 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)*

37. **Structure 12** [Applicable] [Not applicable]

*(Part 12 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) C: [ ] per cent.
- (v) Coupon B Percentage: [ ]
- (vi) Initial Price Date: [ ]
- (vii) Initial Price(s): [As set out in the applicable part of Annex 1]
- (viii) N: [ ]
- (ix) Valuation Dates: [ ]
- (x) The identity of the relevant issuer 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 the 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)*

- (xi) 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)*
- (xii) 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]*

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]
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] [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:	<b>Interest Payment Date</b>	<b>T</b>
	<i>Insert</i>	<i>Insert</i>

(iv) T <sub>START</sub> :	<b>Interest Payment Date</b>	<b>T<sub>START</sub></b>
	<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<sub>FINAL</sub>: [ ]

(iii) T<sub>START</sub>: [ ]

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. 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)*

57. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] [Delete as applicable]

58. Additional Business Centre(s): [Not applicable] [Name(s) of Additional Business Centre(s)]

#### **ADDITIONAL PROVISIONS RELATING TO CREDIT LINKED NOTES**

59. **Credit Linked Conditions:** [Applicable]/[Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Settlement Method: [Auction Settlement/Cash Settlement/Physical Delivery]
- [If Cash Settlement or Physical Delivery is specified, specify if the Issuer has the option to vary the Settlement Method in accordance with the Credit Linked Conditions and if this is the case complete both the Cash Settlement and Physical Delivery provisions at paragraph (xx) below]*
- [If Auction Settlement is specified, complete both the Auction Settlement provisions at paragraph (xx) below and the provisions relating to the relevant Fallback Settlement Method.]*
- (ii) Trade Date: [ ]
- (iii) Effective Date: [ ]
- (iv) Calculation Agent City: [London]/[Madrid]/[specify other]

*Credit Provisions*

- (v) Whether the Notes relate to a single name or a portfolio of names:
- (a) Single name: [Applicable]/[Not Applicable]
- (b) First to Default: [Applicable]/[Not Applicable]
- [If Applicable insert: Substitution: [Not] Applicable]*
- [If Applicable specify: Credit Spread Requirement: [insert]% (if other than 110%)]*
- (c) Portfolio Credit Linked Notes: [Applicable]/[Not Applicable]
- [If applicable, specify Reference Amount in respect of each Reference Entity]*
- (d) Portfolio Maturity Settled Credit Linked Notes: [Applicable]/[Not Applicable]
- [If applicable, specify Reference Amount in respect of each Reference Entity]*
- (vi) Reference Entity(ies) [Specify name] [If more than one Reference Entity, insert the following:
- [ ] ("**Reference Entity 1**")
- [ ] ("**Reference Entity 2**")
- [NB: complete and number accordingly in relation to additional Reference Entities. Also repeat relevant information in (vii) - (xiv) below inclusive in respect of each Reference Entity. Specifying "In relation to Reference Entity [1]" or similar in relation to the*

relevant information.

If more than three Reference Entities or if required, annex the details or insert a table.]

(N.B. By specifying "Standard Terms" as applicable to a Reference Entity, the relevant information set out in Credit Linked Condition 24 shall apply. Note that not all relevant information is given in the Standard Terms and ensure the remaining sections of this item 30 are completed accordingly.)

- (vii) Standard Terms: [Applicable/Not Applicable]
- (If applicable, insert the following as applicable and specify any changes needed to reflect the latest ISDA Physical Settlement Matrix: The following Standard Terms apply: [North American Corporate/North American High Yield Corporate/North American Monoline Insurer Corporate/European Insurance Corporate (Subordinated Debt)/Emerging European Corporate/Emerging European Corporate LPN/Australia & New Zealand Corporate/Japan Corporate/Singapore Corporate/Latin America Corporate B/Latin America Corporate B&L/Asia Corporate/ Asia Sovereign/Emerging European & Middle Eastern Sovereign/ Australia Sovereign/New Zealand Sovereign/Japan Sovereign/Singapore Sovereign/Latin America Sovereign/Western European Sovereign])
- (viii) Reference Obligation[s]: [ ]
- The obligation(s) identified as follows: [If more than three Reference Obligations, annex the details]
- (a) [Primary Obligor:] [ ]
- Guarantor: [ ]
- Maturity: [ ]
- Coupon: [ ]
- CUSIP/ISIN: [ ]
- (b) [(repeat above headings if more than one reference obligation)]
- (ix) Substitute Reference Obligation[s]: [Specify name of Substitute Reference Obligation[s]][As per the definition contained in the Credit Linked Conditions]
- (x) All Guarantees: [Applicable]/[Not Applicable]
- [Standard Terms]
- [Provisions relating to Qualifying Guarantee and Underlying Obligation (Credit Linked Condition 19): [Applicable]/[Not Applicable]]

- (xi) Credit Events: [Bankruptcy]  
[Failure to Pay]  
Grace Period Extension: [Applicable]/[Not Applicable]  
*[If Applicable:*  
Grace Period: [30 calendar days]/[other]]  
Payment Requirement: [ ] (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay)  
[Obligation Default]  
[Obligation Acceleration]  
[Repudiation/Moratorium]  
[Restructuring]  
[Restructuring Maturity Limitation and Fully Transferable Obligation: [Applicable]/[Not Applicable]]  
[Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Applicable]/[Not Applicable]]  
Default Requirement: [ ] (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event)  
[Standard Terms]
- (xii) Additional Credit Event(s): [Pass Through Event (*applicable for Pass Through Notes only*)][Not Applicable]
- (xiii) Conditions to Settlement: Notice of Publicly Available Information: [Applicable]/[Not Applicable]  
*[If Applicable:*  
Public Source(s): [ ]  
Specified Number: [2]/[other]]
- (xiv) Obligation(s):  
(a) Obligation Category: [Payment]  
(select one only) [Borrowed Money]  
[Reference Obligations only]  
[Bond]  
[Loan]  
[Bond or Loan]  
[Standard Terms]

- (b) **Obligation Characteristics:**
- (select all of which apply)* [Specified Currency: [Standard Specified Currencies/[(specify currency)]]]  
 [Not Sovereign Lender]  
 [Not Domestic Currency]  
 [Domestic Currency means: (specify currency)]  
 [Not Domestic Law]  
 [Listed]  
 [Not Domestic Issuance]  
 [Standard Terms]  
 [Not Applicable] *(Select in respect of "Reference Obligations only")*
- (c) **Additional Obligation[s]:** [ ]
- (d) **Excluded Obligation[s]:** [ ]
- (xv) **Accrual of Interest upon a Credit Event:** [Applicable]/[Not Applicable]
- (xvi) **Merger Event:** [Applicable]/[Not Applicable]  
*[If applicable:*  
 Merger Event Redemption Date: [ ]/[Five (5) Business Days after the Calculation Agent determines that a Merger Event has occurred.]]
- (xvii) **Unwind Costs:** [Standard Unwind Costs]/[specify other]/[Not Applicable]
- (xviii) **Provisions relating to Monoline Insurer as Reference Entity:** Credit Linked Condition 17: [Applicable]/[Not Applicable]  
 Credit Linked Condition 18: [Applicable]/[Not Applicable]  
 (NB: *If applicable, only one of Credit Linked Condition 17 and Credit Linked Condition 18 should be specified but not both*)  
 [Multiple Holder Obligation Applicable: [Yes – Credit Linked Condition 16 applies][No]]
- (xix) **Provisions relating to LPN Reference Entities:** Credit Linked Condition 20: [Applicable]/[Not Applicable]
- (xx) **Further terms relating to settlement:**  
*(If auction settlement applies, (If not applicable, delete the remaining sub-paragraphs*

complete the following section) of this auction settlement paragraph)

**Auction Settlement**

- (a) Fallback Settlement Method: [Cash Settlement/Physical Delivery]  
  
*[If the Issuer has the option to vary the Fallback Settlement Method in accordance with the Credit Linked Conditions this should be specified here and if this is the case both the Cash Settlement and Physical Delivery provisions in this paragraph (xx) should be completed in addition to these Auction Settlement provisions.]*
- (b) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Succession Event Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes/No]
- (d) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes/No]

*(If cash settlement applies, complete the following section)* *(If not applicable, delete the remaining sub-paragraphs of this cash settlement paragraph)*

**Cash Settlement**

- (e) Credit Event Redemption Amount: [*Express per Calculation Amount*]/[Such amount as determined by the Calculation Agent in accordance with the Credit Linked Conditions]
- (f) Credit Event Redemption Date: [ ] Business Days
- (g) Valuation Date: [Single Valuation Date:  
[ ] Business Days:  
[Multiple Valuation Dates:  
[ ] Business Days' and each [ ] Business Day thereafter.  
Number of Valuation Dates: [ ]]
- (h) Valuation Time: [ ]/[As per the definition in the Credit Linked Conditions]
- (i) Valuation Obligations: [ ]/[Valuation Obligation applicable] [*Delete if not applicable*]  
  
Valuation Obligation Category: [Payment]

[select one only]

[Borrowed Money]

[Reference Obligations Only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

Valuation Obligation  
Characteristics:

Not Subordinated

[select all of which  
apply]

[Credit Linked Specified Currency: (specify  
currency)]/[Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic currency means: (specify currency)]

[Not Domestic Law]

[Listed]

[Not Contingent]

[Not Domestic Issuance]

[Assignable Loan]

[Consent Required Loan]

[Direct Participation Loan]

[Qualifying Participation Seller: [ ] (insert details)]

[Transferable]

[Maximum maturity: [ ]]

[Accelerated or Matured]

[Not Bearer]

[Standard Terms]

(j) Valuation Obligation  
Determination Period: [ ]

(k) Additional Valuation  
Obligations: [ ]

(l) Excluded Valuation  
Obligations: [ ]

(m) Quotation Method: [Bid]/[Offer]/[Mid-market]

(n) Quotation Amount: [ ]/[Representative Amount]

(o) Minimum Quotation  
Amount: [ ]/[As per the definition in the Credit Linked

Conditions]

(p) Quotation Dealers: [ ]/[As per the definition in the Credit Linked Conditions]

(q) Quotations: [Include Accrued Interest]/[Exclude Accrued Interest]

(r) Valuation Method [Market/Highest]

[Average Market/Highest/Average Highest]

[Blended Market/Blended Highest]

[Average Blended Market/Average Blended Highest]

*(If physical delivery applies, complete the following section)*

*(If not applicable, delete the remaining subparagraphs of this physical delivery paragraph)*

**Physical Delivery**

(s) Physical Settlement Period: [[ ] Business Days]/[Not Applicable]

(t) Asset Amount: [Include Accrued Interest]/[Exclude Accrued Interest]

(u) Settlement Currency: [ ]

(v) Deliverable Obligations:

Deliverable Obligation Category: [Payment]

*(select one only)* [Borrowed Money]

[Reference Obligations only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

Deliverable Obligation Characteristics: [Not Subordinated]

*(select all of which apply)* [Credit Linked Specified Currency:

*(specify currency)*]/[Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: *(specify currency)*]

[Not Domestic Law]

[Listed]

[Not Contingent]

[Not Domestic Issuance]

[Assignable Loan]

[Consent Required Loan]

[Direct Participation Loan]

[Qualifying Participation Seller: [ ] (*insert details*)]

[Transferable]

[Maximum Maturity: [ ]]

[Accelerated or Matured]

[Not Bearer]

[Standard Terms]

[Not Applicable] (*Select in respect of "Reference Obligations only"*)

(w) Additional Deliverable Obligation[s]: [ ]/[Not Applicable]

(x) Excluded Deliverable Obligation[s]: [ ]/[Not Applicable]

(y) Indicative Quotations: [Applicable]/[Not Applicable]

(z) Cut-Off Date: [ ]/[Not Applicable] (*NB. This is a date by which Asset Transfer Notices are required for timely settlement*)

(aa) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from the Credit Linked Conditions: [ ]/[Not Applicable]

## 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*]<sup>1</sup>

[Registered Notes: [Restricted [U.S.] [International]

<sup>1</sup> 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]."

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/*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]
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 Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not applicable] [ ]
65. Consolidation provisions: [Not applicable/The provisions [in Condition 14 (*Further Issues*)] apply]

## DISTRIBUTION

66. (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]]: [ ]
67. If non-syndicated, name [and address] of Dealer: [ ]
68. Total commission and concession: [[ ] per cent. of the Aggregate Nominal Amount]
69. 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:

[ ]

[ ]

[ ]

*[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, Credit Linked Notes – PERFORMANCE OF INDEX/FORMULA/FUND REFERENCE ENTITY, 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/reference entity/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 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]*

## 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 2014 [and the supplement[s] to the Listing Particulars dated [date] [and [date]] which together constitute 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 50 of the Listing Particulars (as supplemented).**

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 supplemented. 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].

*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 2014. This Pricing Supplement contains the applicable terms of the Notes and must be read in conjunction with the Listing Particulars dated 29 July 2014 [and the supplement[s] to the Listing Particulars dated [date] [and [date]] which together constitute 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 2014 [and the supplement[s] to the Listing Particulars dated [date] [and [       ]]]. 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 sub-paragraphs. 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]*
- [For Credit Linked Notes, if applicable insert: [ ] the "Scheduled Maturity Date"), subject to the provisions of the Credit Linked Conditions and this Pricing Supplement]*
- [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]

[Credit Linked Redemption: please see paragraph "*Additional Provisions relating to Credit Linked Notes*" at item 61 below and the Credit Linked Conditions 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/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 subparagraphs 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 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: [ ]
- (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.	<b>Fund Linked Note Provisions</b>	[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	[Applicable/Not applicable]

Event:

- (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 subparagraphs 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 Interest: [ ] per cent. per annum
- (xii) Maximum Rate Amount of Interest: [ ] per cent. per annum
- (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: [See also "Additional Provisions relating to Credit Linked Notes" at item 61 below and the Credit Linked Conditions]
- (i) Equity/Index/Formula/ Fund/other variable: [ ] [Not Applicable]
- (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: [ ] [Not Applicable]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or Fund and/or other variable: [ ] [Not Applicable]
- (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: [ ] [Not Applicable]
- (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 (Tax) per Calculation Amount payable on redemption for taxation reasons and/or the method of calculating the same (if required or if different from that set out in the Conditions): [[ ] per Calculation Amount / *specify the amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs [(including the cost, if any, for unwinding hedging arrangements)]*]
- Redemption Amount(s) per Calculation Amount payable on an event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [[ ] per Calculation Amount / *specify the amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs [(including the cost, if any, for unwinding hedging arrangements)]*]

Termination Amount(s) per Calculation Amount payable on 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): [See paragraph 17(xxii) above.][Not Applicable]

Early Redemption Amount per Calculation Amount payable following an early redemption pursuant to the Credit Linked Conditions: [[ ] per Calculation Amount / *specify amount, which may, where appropriate, be an amount per Calculation Amount equal to the fair market value of each Note less applicable costs*][Not Applicable]

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*]
28. **Credit-Linked Notes redemption provisions:** [Applicable – please refer to section headed "*Additional Provision relating to Credit 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)*

29. **Structure 1** [Applicable] [Not applicable]
- (Part 1 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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 Shares(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)*
- (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)*
30. **Structure 2** [Applicable] [Not applicable]  
*(Part 2 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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)*
31. **Structure 3** [Applicable] [Not applicable]  
*(Part 3 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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)*

32. **Structure 4**

[Applicable] [Not applicable]

*(Part 4 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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):

<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
<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): *[(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 5** [Applicable] [Not applicable]

*(Part 5 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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:

<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
<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)*

34. **Structure 6**

[Applicable] [Not applicable]

*(Part 6 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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)*
35. **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) *[(Specify (i) names of each issuer of the Share(s) (ii) class of each Share and (iii) ISIN or other security*

and ISIN(s) or other security identification code(s) for the Share(s): *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)*

36. **Structure 8** [Applicable] [Not applicable]

*(Part 8 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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 (1)

<b>Interest Payment Date:</b>	<b>Coupon A Percentage:</b>
<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)]*

*(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)*

*Linked Notes and Share Index Basket Linked Notes only)* *Index Basket Linked Notes)* [Not applicable]

(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)*

37. **Structure 9** [Applicable] [Not applicable]

*(Part 9 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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:

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)*

38. **Structure 10** [Applicable] [Not applicable]
- (Part 10 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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):
- (in relation to Single Share Linked Notes and Share Basket Linked Notes only)* *[(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]
- (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)*
39. **Structure 11** [Applicable][Not applicable]
- (Part 11 of Annex 1 to Terms and Conditions)* *(If not applicable, delete the remaining subparagraphs 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)	Final Price Date:	[ ]
(iii)	Initial Price Date:	[ ]
(iv)	Observation Period:	[ ]
(v)	C:	[ ] per cent.
(vi)	Final Coupon Percentage:	[ ] per cent.
(vii)	Trigger Percentage:	[ ] per cent
(viii)	X%:	[ ] per cent.
(i)	[Initial Price][Basket <sub>0</sub> ]	[ ] per cent.
(ii)	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>(in relation to Single Share Linked Notes and Share Basket Linked Notes only)</i>	<i>[(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]</i>
(iii)	Share Index/Indices:	<i>[(Specify Share Index for Single Share Index Linked Notes and specify each of the Share Indices for Share Index Basket Linked Notes)] [Not applicable]</i>
	<i>(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)</i>	
(iv)	Share Index Sponsor(s):	<i>[Insert name(s) of Share Index Sponsor(s)] [Not applicable]</i>
	<i>(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)</i>	
40.	<b>Structure 12</b>	[Applicable][Not applicable]
	(Part 12 of Annex 1 to Terms and Conditions)	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(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)	C:	[ ] per cent.
(v)	Coupon B Percentage:	[ ]
(vi)	Initial Price Date:	[ ]
(vii)	Initial Price(s):	[As set out in the applicable part of Annex 1]

- (viii) N: [ ]
- (ix) Valuation Dates: [ ]
- (x) The identity of the relevant issuer 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 the 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)*
- (xi) 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)*
- (xii) 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]*

41. Interest Payment Dates: [ ]
42. Interest Period: [ ]
43. Calculation Agent: [ ]
44. Exchange(s): [ ]
45. Exchange Business Day Convention: [Following Business Day Convention] [Modify Following Business Day Convention] *[Delete as applicable]*
46. Related Exchange(s): [ ]
47. Valuation Time: [ ] [as set out in Annex 1 to Terms and Conditions] *[Delete as applicable]*
48. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
49. 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]*

50. Interest Payment Dates: [ ]

51. Interest Period: [ ]
52. Calculation Agent: [ ]
53. (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<sub>START</sub>:
- | Interest Payment Date | T <sub>START</sub> : |
|-----------------------|----------------------|
| <i>Insert</i>         | <i>Insert</i>        |
- (v) Cap: [ ] [Not applicable]
- (vi) Floor: [ ] [Not applicable]
- (vii) Margin: [ ] [Not applicable]
54. (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<sub>FINAL</sub>: [ ]
- (iii) T<sub>START</sub>: [ ]
55. Inflation Index: [ ]
56. Inflation Index Sponsor: [ ]
57. Related Bond: [*Insert name and ISIN or other security identification code of Related Bond*] [Not applicable] [Fallback Bond] [*Delete as applicable*]
58. Fallback Bond: [Applicable] [Not applicable]
59. Alternative Delay of Publication Formula: [*Insert formula*] [Not applicable]
60. 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, Paragraph 6 of Terms and Conditions]

of Section 2 of Annex 2 to the Terms and Conditions] *[Delete as applicable]*

61. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention] *[Delete as applicable]*
62. Additional Business Centre(s): [Not applicable] *[Insert name(s) of Additional Business Centre(s)]*

#### ADDITIONAL PROVISIONS RELATING TO CREDIT LINKED NOTES

63. Credit Linked Conditions: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Settlement Method: [Auction Settlement/Cash Settlement/Physical Delivery]
- [If Cash Settlement or Physical Delivery is specified, specify if the Issuer has the option to vary the Settlement Method in accordance with the Credit Linked Conditions and if this is the case complete both the Cash Settlement and Physical Delivery provisions at paragraph (xx) below]*
- [If Auction Settlement is specified, complete both the Auction Settlement provisions at paragraph (xx) below and the provisions relating to the relevant Fallback Settlement Method.]*
- (ii) Trade Date: [ ]
- (iii) Effective Date: [ ]
- (iv) Calculation Agent City: [London]/[Madrid]/*[specify other]*

#### *Credit Provisions*

- (v) Whether the Notes relate to a single name or a portfolio of names:
- (a) Single name: [Applicable]/[Not Applicable]
- (b) First to Default [Applicable]/[Not Applicable]
- [If Applicable insert: Substitution: [Not] Applicable]*
- [If Applicable specify: Credit Spread Requirement: [insert]% (if other than 110%)]*
- (c) Portfolio Credit Linked Notes: [Applicable]/[Not Applicable]
- [If applicable, specify Reference Amount in respect of each Reference Entity]*
- (d) Portfolio Maturity Settled Credit Linked Notes: [Applicable]/[Not Applicable]
- [If applicable, specify Reference Amount in respect of*

- each Reference Entity]*
- (vi) Reference Entity(ies) *[Specify name] [If more than one Reference Entity, insert the following:*
- [        ] ("Reference Entity 1")*
- [        ] ("Reference Entity 2")*
- [NB: complete and number accordingly in relation to additional Reference Entities. Also repeat relevant information in (vii) - (xiv) below inclusive in respect of each Reference Entity. Specifying "In relation to Reference Entity [1]" or similar in relation to the relevant information.*
- If more than three Reference Entities or if required, annex the details or insert a table.]*
- (N.B. By specifying "Standard Terms" as applicable to a Reference Entity, the relevant information set out in Credit Linked Condition 24 shall apply. Note that not all relevant information is given in the Standard Terms and ensure the remaining sections of this item 30 are completed accordingly.)*
- (vii) Standard Terms: *[Applicable/Not Applicable]*
- (If applicable, insert the following as applicable and specify any changes needed to reflect the latest ISDA Physical Settlement Matrix: The following Standard Terms apply: [North American Corporate/North American High Yield Corporate/North American Monoline Insurer Corporate/European Insurance Corporate (Subordinated Debt)/Emerging European Corporate/Emerging European Corporate LPN/Australia & New Zealand Corporate/Japan Corporate/Singapore Corporate/Latin America Corporate B/Latin America Corporate B&L/Asia Corporate/Asia Sovereign/Emerging European & Middle Eastern Sovereign/Australia Sovereign/New Zealand Sovereign/Japan Sovereign/Singapore Sovereign/Latin America Sovereign/Western European Sovereign])*
- (viii) Reference Obligation[s]: *[        ]*
- The obligation(s) identified as follows:* *[If more than three Reference Obligations, annex the details]*
- (a) [Primary Obligor:] *[        ]*
- Guarantor: *[        ]*
- Maturity: *[        ]*
- Coupon: *[        ]*
- CUSIP/ISIN: *[        ]*
- (b) *[(repeat above heading if more than one reference*

*obligation)*

- (ix) Substitute Reference Obligation[s]: [As per the definition contained in the Credit Linked Conditions]/[*give details*]
- (x) All Guarantees: [Applicable]/[Not Applicable]  
[Standard Terms]  
[Provisions relating to Qualifying Guarantee and Underlying Obligation (Credit Linked Condition 19): [Applicable]/[Not Applicable]]
- (xi) Credit Events: [Bankruptcy]  
[Failure to Pay]  
Grace Period Extension: [Applicable]/[Not Applicable]  
[If Applicable:  
Grace Period: [30 calendar days]/[*other*]]  
Payment Requirement: [ ] (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay)  
[Obligation Default]  
[Obligation Acceleration]  
[Repudiation / Moratorium]  
[Restructuring]  
[Restructuring Maturity Limitation and Fully Transferable Obligation: [Applicable]/[Not Applicable]]  
[Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Applicable]/[Not Applicable]]  
Default Requirement: [ ] (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event)  
[Standard Terms]
- (xii) Additional Credit Event(s): [ ] [Pass Through Event (*applicable for Pass Through Notes only*)] [*Specify – e.g. any trigger event*]  
[*If applicable, give details including all operative provisions*]
- (xiii) Conditions to Settlement: Notice of Publicly Available Information: [Applicable] / [Not Applicable]

[If Applicable:

Public Source(s): [ ]

Specified Number: [2]/[other]]

(xiv) Obligation(s):

(a) Obligation Category: [Payment]

(select one only) [Borrowed Money]

[Reference Obligations only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

(b) Obligation Characteristics: [Not Subordinated]

(select all of which apply) [Specified Currency:

[Standard Specified Currencies/[(specify  
currency)]]]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: (specify  
currency)]

[Not Domestic Law]

[Listed]

[Not Domestic Issuance]

[Standard Terms]

[Not Applicable] (Select in respect of "Reference  
Obligations only")

(c) Additional Obligation[s]: [ ]

(d) Excluded Obligation[s]: [ ]

(xv) Accrual of Interest upon a Credit Event: [Applicable]/[Not Applicable]/[specify any further  
details]

(xvi) Merger Event: [Applicable] / [Not Applicable]

[If applicable:

Merger Event Redemption Date:  
[ ]/[Five (5) Business Days after the  
Calculation Agent determines that a Merger  
Event has occurred.]]

(xvii) Unwind Costs: [Standard Unwind Costs]/[specify other]/[Not  
Applicable]

- (xviii) Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 17: [Applicable]/[Not Applicable]
- Credit Linked Condition 18: [Applicable]/[Not Applicable]
- (NB: If applicable, only one of Credit Linked Condition 17 and Credit Linked Condition 18 should be specified but not both)*
- [Multiple Holder Obligation Applicable: [Yes – Credit Linked Condition 16 applies]][No]]
- (xix) Provisions relating to LPN Reference Entities: Credit Linked Condition 20: [Applicable] / [Not Applicable]
- (xx) Further terms relating to settlement:
- (If auction settlement applies, complete the following section)* *(If not applicable, delete the remaining sub-paragraphs of this auction settlement paragraph)*

**Auction Settlement**

- (a) Fallback Settlement Method: [Cash Settlement/Physical Delivery]
- [If the Issuer has the option to vary the Fallback Settlement Method in accordance with the Credit Linked Conditions this should be specified here and if this is the case both the Cash Settlement and Physical Delivery provisions in this paragraph (xx) should be completed in addition to these Auction Settlement provisions.]*
- (b) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Succession Event Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes/No]
- (d) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes/No]
- (If cash settlement applies, complete the following section)* *(If not applicable, delete the remaining sub-paragraphs of this cash settlement paragraph)*

**Cash Settlement**

- (e) Credit Event Redemption Amount: [*Express per Calculation Amount*]/[Such amount as determined by the Calculation Agent in accordance with the Credit Linked Conditions]
- (f) Credit Event Redemption Date: [ ] Business Days
- (g) Valuation Date: [Single Valuation Date:

[ ] Business Days]

[Multiple Valuation Dates:

[ ] Business Days' and each [ ]  
Business Day thereafter

Number of Valuation Dates: [ ]]

(h) Valuation time [ ]/[As per the definition in the Credit Linked  
Conditions]

(i) Valuation Obligations: [ ]/[Valuation Obligation applicable] [*Delete if  
not applicable*]

Valuation Obligation [Payment]  
Category:

[*select one only*]

[Borrowed Money]

[Reference Obligations Only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

Valuation Obligation Not Subordinated  
Characteristics:

[*select all of which apply*] [Credit Linked Specified Currency: (*specify  
currency*)]/[Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: (*specify currency*)]

[Not Domestic Law]

[Listed]

[Not Contingent]

[Not Domestic Issuance]

[Assignable Loan]

[Consent Required Loan]

[Direct Participation Loan]

[Qualifying Participation Seller: [ ] (*insert  
details*)]

[Transferable]

[Maximum Maturity: [ ]]

[Accelerated or Matured]

[Not Bearer]

[Standard Terms]

- (j) Valuation Obligation [ ]  
Determination Period:
- (k) Additional Valuation [ ]  
Obligations:
- (l) Excluded Valuation [ ]  
Obligations:
- (m) Quotation Method: [Bid]/[Offer]/[Mid-market]
- (n) Quotation Amount: [ ]/[Representative Amount]
- (o) Minimum Quotation [ ]/[As per the definition in the Credit Linked  
Amount: Conditions]
- (p) Quotation Dealers: [ ]/[As per the definition in the Credit Linked  
Conditions]
- (q) Quotations: [Include Accrued Interest]/[Exclude Accrued  
Interest]
- (r) Valuation Method: [Market/Highest]  
[Average Market/Highest/Average Highest]  
[Blended Market/Blended Highest]  
[Average Blended Market/Average Blended Highest]
- (s) Other terms or special  
conditions:

*(If physical delivery applies, complete the following section) (If not applicable, delete the remaining sub-paragraphs of this physical delivery paragraph)*

**Physical Delivery**

- (t) Physical Settlement Period: [[ ] Business Days]/[Not Applicable]
- (u) Asset Amount: [Include Accrued Interest]/[Exclude Accrued Interest]
- (v) Settlement Currency: [ ]
- (w) Deliverable Obligations:  
Deliverable Obligation [Payment]  
Category  
*(select one only)* [Borrowed Money]  
[Reference Obligations only]  
[Bond]  
[Loan]

[Bond or Loan]

[Standard Terms]

Deliverable Obligation [Not Subordinated]

Characteristics:

(select all of which only) [Credit Linked Specified Currency:  
(specify currency)]/[Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: (specify currency)]

[Not Domestic Law]

[Listed]

[Not Contingent]

[Not Domestic Issuance]

[Assignable Loan]

[Consent Required Loan]

[Direct Participation Loan]

[Qualifying Participation Seller: [ ] (insert details)]

[Transferable]

[Maximum Maturity: [ ]]

[Accelerated or Matured]

[Not Bearer]

[Standard Terms]

[Not Applicable] (Select in respect of "Reference Obligations only")

(x) Additional Deliverable [ ]/[Not Applicable]  
Obligation[s]:

(y) Excluded Deliverable [ ]/[Not Applicable]  
Obligation[s]:

(z) Indicative Quoatons: [Applicable]/[Not Applicable]

(aa) Cut-Off Date: [ ]/[Not Applicable] (N.B. This is a date by which Asset Transfer Notices are required for timely settlement)

(bb) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from the Credit Linked [ ]/[Not Applicable]

Conditions

(cc) Other terms or special [ ] conditions:

(xxi) Other terms or special conditions: [ ]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

64. 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*]<sup>2</sup>  
[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 depositary 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*].
65. 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*]
66. New Global Note Form: [Yes] [No]
67. 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*]
68. 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] [ ]
69. Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): [Not applicable] [ ]
70. Consolidation provisions: [Not applicable/The provisions [in Condition 14

<sup>2</sup> 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].

(Further Issues)] apply]

**[DISTRIBUTION**

- 71. (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:] [ ]
- 72. If non-syndicated, name [and address] of Dealer: [Not applicable/give name and address]
- 73. Total commission and concession: [[ ] per cent. of the Aggregate Nominal Amount]
- 74. 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:

[ ]

[ ]

[ ]

[ ]

*[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. **ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING**

Estimated total expenses: [ ]

**[Floating Rate Notes Only – HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/LIBID/LIMEAN] rates can be obtained from [Reuters ].]

5. **[CMS Linked Notes and Fund Linked Notes Only – HISTORIC RATES**

Details of historic swap rates can be obtained from [Reuters].]

6. **[Inflation Linked Notes, Equity Linked Notes, Credit Linked Notes or Other Variable Linked Notes only – PERFORMANCE OF INDEX/FORMULA/FUND/REFERENCE ENTITY/ OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Insert link or give other indication of where information on the equity/index/formula/fund/reference entity/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 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.*

*[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].]*

7. **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 [Not applicable/Yes/No]  
which would allow Eurosystem  
eligibility:

[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 depository, 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 depository 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 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. 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 165(j)(3)(A), (B) or (C) of the United States Internal Revenue Code of 1986 and the United States Treasury Regulations promulgated 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) (or any successor United States Treasury Regulations Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010)), 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 depository; 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 depository 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 United States 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 United States 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 United States 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 unmatured 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 Permanent Global 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 REGULATIONS 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 REGULATIONS 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 - 2013, 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 4<sup>th</sup> 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., Cántabro Catalana de Inversiones, S.A., Dubeasa, S.A., Reintegra, 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; and
- (b) the Luxembourg Stock Exchange.

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 2013, EUR1,641,500,000.00.

### 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 Ciudad Grupo Santander, Av. De Cantabria s/n, ed. Encinar, planta baja, 28660, Boadilla del Monte 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 independent 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 2013 and 31 December 2012 were audited by the external independent auditors, Deloitte, S.L., 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*. The address of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, No. 1, 28020 Madrid, Spain.

- 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 28 March 2014 to audit the annual financial statements for the financial year ended 31 December 2014.

##### 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 10-50 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 30 January 2014.

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully issued and paid up of €5,889,040,312 divided into 11,778,080,624 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 91 259 6520.

###### 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.*

###### *Merger by absorption of Banco Español de Crédito, S.A. ("Banesto") and Banco Banif*

On 17 December 2012, the Bank announced that it had resolved to approve the plan for the merger by absorption of Banco Español de Crédito, S.A. (**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 brought 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 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 acquired, 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, received in exchange shares of the Bank.

The ratio at which shares of Banesto were exchanged for shares of the Bank, which was determined by the fair value of their assets and liabilities, was 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 acquired, 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 3 May 2013, the public deed formalizing the merger by absorption of Banesto by Santander was registered with the Commercial Registry of Cantabria, and consequently, Banesto has disappeared. Besides, on 7 May 2013, the public deed formalizing the merger by absorption of Banco Banif, S.A., Unipersonal by Santander was registered with the Commercial Registry of Cantabria, and consequently, Banco Banif, S.A., Unipersonal has disappeared.

### ***Scrip dividends***

At its meeting of 13 January 2014, Banco Santander's executive committee resolved to apply the Santander Dividendo Eleccion scrip dividend scheme on the dates on which the third interim dividend is traditionally paid, whereby the shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was € 0.152 per share, in shares or cash.

On 30 January 2014 Banco Santander announced that the holders of 86.37% of the free allotment rights chose to receive new shares. Thus, the definitive number of ordinary shares of € 0.5 of face value issued in the free-of charge capital increase was 227,646,659, corresponding to 2.01% of the share capital, and the amount of the capital increase was €113,823,329.50. The value of the remuneration corresponding to the holders of free allotment rights who have requested new shares amounts to € 1,487,898,563.22. The shareholders holding the remaining 13.63% of the free allotment rights accepted the irrevocable undertaking to acquire free allotment rights assumed by Banco Santander. Consequently, Banco Santander acquired 1,544,614,122 rights for a total gross consideration of € 234,781,346.54. Banco Santander waived the free allotment rights so acquired.

On 10 April 2014 Banco Santander announced the information in connection with the flexible remuneration program Santander Dividendo Eleccion (scrip dividend scheme) to be applied to the final 2013 dividend. The shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was € 0.149 per share, in shares or cash..

### ***Other significant events:***

- On 3 January 2014, the Group announced that it had sold to Altamira Asset Management Holdings, S.L., an investee of Apollo European Principal Finance Fund II, an entity affiliated to Apollo Global Management, LLC (**Apollo**), 85% of the share capital of Altamira Asset Management, S.L., the Group company that manages debt recovery services before the

initiation of court action in Spain and the sale or lease of foreclosed property assets relating to this business, for EUR 664 million.

- At its meeting of 13 January 2014, the Bank's executive committee resolved to apply the Santander Dividendo Elección scrip dividend scheme on the dates on which the third interim dividend is traditionally paid, whereby the shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was EUR 0.152 per share, in shares or cash.
- In January 2014 the public offering of shares of Santander Consumer USA Holdings Inc. (**SCUSA**) was completed and the company was admitted to trading on the New York Stock Exchange. The placement represented 21.6% of SCUSA's share capital, of which 4% related to the holding sold by the Group. Following this sale, the Group holds 60.7% of the share capital of SCUSA. Both Sponsor Auto Finance Holdings Series LP (**Sponsor Holdings**) -an investee of funds controlled by Warburg Pincus LLC, Kohlberg Kravis Roberts & Co. L.P. and Centerbridge Partners L.P.- and DDFS LLC (**DDFS**) - a company controlled by Thomas G. Dundon, the Chief Executive Officer of SCUSA- also reduced their holdings.

Since the ownership interests of the former shareholders were reduced to below certain percentages, it is expected that the shareholder agreement will be terminated, pursuant to the terms and conditions established in said agreement. This termination will include, inter alia, the cancellation of the contingent payment to be made by SCUSA on the basis of its results in 2014 and 2015. It will also entail the termination of the agreements whereby, inter alia, Sponsor Holdings and DDFS LLC were granted representation on the board of directors of SCUSA and a voting system was established whereby the strategic, financial and operating decisions, and other significant decisions associated with the ordinary management of SCUSA, were subject to joint approval by the Group and the aforementioned shareholders and, therefore, SCUSA will cease to be controlled jointly by all the above and will begin to be controlled by the Group on the basis of the percentage held in its share capital.

- In March 2014, the Guarantor issued €1,500,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities with Merrill Lynch International, Citigroup, Banco Santander, S.A. and UBS Limited as lead managers of the issue.
- On 7 April 2014, the Group announced that it has reached an agreement for the acquisition, through its investee company Santander Getnet Serviços para Meios de Pagamento Sociedade Anónima, of 100% of the company Getnet Tecnologia Em Captura e Processamento de Transações H.U.A.H. (**Getnet**) for an amount of 1,104 million Reales (approximately 353 million euros). Following the acquisition, Banco Santander (Brasil) S.A. will hold indirectly an 88.5% stake in Getnet. It is expected that the transaction (which is subject to regulatory authorisation) will be concluded during the second half of 2014.
- At its meeting of 10 April 2014, the Bank's executive committee resolved to apply the Santander Dividendo Elección scrip dividend scheme on the dates on which the final dividend is traditionally paid, whereby the shareholders were offered the option of receiving an amount equivalent to said dividend, the gross amount of which was EUR 0.149 per share, in shares or cash.
- On 29 April 2014 the Group announced that Banco Santander's Board of Directors resolved to make an offer to acquire all shares of Banco Santander Brasil not already held by Grupo Santander, representing approximately 25% of Santander Brasil's share capital. The transaction would be paid for with up to 665 million shares of Banco Santander (parent company), equivalent to €4,686 million.

Santander Brazil would remain listed on the Sao Paulo stock exchange and Banco Santander's shares (parent company) would be listed on that market as well.

The offer will be subject to customary conditions for this type of transactions, including the granting of the relevant regulatory authorizations and approval at Santander Brazil's and Banco Santander's General Shareholders' meeting.

In May 2014, the Guarantor issued US \$ 1,500,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities with Banco Santander, S.A., Crédit Agricole Corporate and Investment Bank, Deutsche Bank, Goldman Sachs International and Morgan Stanley as lead managers of the issue.

In June 2014 the Guarantor entered into a definitive agreement with FINESP Holdings II B.V., an affiliate of Warburg Pincus, a global private equity firm focused on growth investing. Under the terms of the agreement, which is conditional upon legal and regulatory approvals, a group led by Warburg Pincus and which will also include Temasek, a Singapore based investment company, will acquire a 50 per cent. stake in the Guarantor's current custody operations in Spain, Mexico and Brazil. The remaining 50 per cent. will be owned by the Guarantor. The transaction is expected to close in the fourth quarter of 2014.

In June 2014 Santander Consumer Finance, S.A. and GE Money Nordic Holding AB ("**GE Capital**") signed a definitive agreement by which the Guarantor's consumer finance unit will buy GE Capital's business in Sweden, Denmark and Norway. The purchase price of the transaction, which is subject to relevant regulatory approvals, amounts to approximately EUR 700 million after a pre-closing dividend to remove excess capital. Under the terms of the agreement, Santander will assume GE Money Bank's intragroup funding. The deal is expected to close in the second half of 2014.

## 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**

According to Bloomberg L.P. information services, at the end of 2013, the Group was the largest bank in the euro area and the eleventh in the world in terms of market capitalisation: EUR 73,735 million. The Group is a global, multinational bank.

Its corporate purpose is to engage in all kinds of activities, operations and services that are typical of the banking business in general. Its business model focuses on commercial banking products and services with the objective of meeting the needs of its customers - private individuals, SMEs and businesses, and it serves over 100 million customers in a global network of 13,927 branch offices, which is the biggest in international banking. It has EUR 1,116,000 million in assets and manages funds of EUR 1,241,000 million for all the customer segments. It has 3.3 million shareholders and nearly 183,000 employees. Commercial banking accounts for 87% of its income.

The structure of the operating business areas is presented on two levels:

##### ***First (or geographic) Level.***

This segments the activities of the operating units by geographical region, a view that coincides with the first level of Group management and reflects the positioning of the Group in the three areas of monetary influence in the world (euro, pound sterling and dollar). The segments reported on are:

- **Continental Europe**, which comprises all the commercial banking, wholesale banking, asset management and insurance businesses in the region. Detailed financial information is given for Spain, Portugal, Poland and Santander Consumer Finance (which covers all the business in the region, including that of Spain, Portugal and Poland. It also includes as a separate unit the real estate operations discontinued in Spain, which includes the loans of customers whose main activity is property development that have a specialised management model, the investments related to the property sector (Metrovacesa, S.A. and Sareb) and the foreclosed assets.
- **United Kingdom**, which includes the commercial banking, wholesale banking and asset management and insurance business done by the Group's units and branches operating there.

- **Latin America.** This includes all of the financial business activities that the Group engages in through its banks and subsidiaries in Latin America, including Puerto Rico, as well as the specialised units of Santander Private Banking, which is treated as a globally managed independent unit, and the New York business.
- **United States.** This segment comprises the Santander Bank (former Sovereign Bank and Santander Consumer USA Inc.) businesses (**consolidated** in 2013 by the equity method).

There are no customers located in areas other than those in which the Group's assets are located that generate income exceeding 10% of gross income.

*Second (or business) Level.*

The activities of the operating units are divided by type of business into the following segments: commercial banking, wholesale banking, asset management and insurance and the real estate operations discontinued in Spain business unit.

- **Commercial banking.** This contains all of the customer banking businesses, including private banking, but not the corporate banking businesses, which are managed through the Global Relationship Model. Also included in this business area are the results of the hedging positions taken in each country within the scope of the relevant ALCO committee.
- **Global Wholesale Banking.** This segment reflects the income from the global corporate banking business, investment banking and markets worldwide, including all the globally managed treasury departments, from both trading and distribution to customers (after passing the appropriate share to commercial banking customers), and the equities business.
- **Asset Management and Insurance.** This includes the contribution to the Group arising from the investment fund, pensions and insurance businesses. The Group uses and remunerates the distribution networks for marketing these products through cost- and profit-sharing arrangements. This means that the segment's profit/loss on this business is the gross income net of the cost of distribution which is the remuneration paid to the network.

In addition to the operating businesses described above by region and business, the Group also maintains the corporate activities area. This segment includes the centralised management businesses relating to financial investments, the financial management of the Parent's structural currency position and its structural interest rate risk position and the management of liquidity and equity through issues and securitisations.

As the Group's holding unit, this segment handles the total capital and reserves, capital allocations and liquidity with the other businesses. It also incorporates amortisation of goodwill but not the costs related to the Group's central services, which are charged to the areas, with the exception of corporate and institutional expenses related to the Group's functioning.

Lastly, the Group has a number of support units, such as human resources, organisation and costs, controller's office and management control, internal audit, risks, communication, marketing and research, general and board secretary, technology and financial management and investor relations.

The function of them all is to ensure that the Group is a cohesive, efficient and productive group, and they are responsible for implementing the Group's corporate policies.

*First level (or geographic).*

**Continental Europe**

Continental Europe includes all the commercial banking, global wholesale banking and asset management and insurance business activities carried on in this geographical area, as well as the real estate operations discontinued in Spain business unit.

## Strategy

The main actions in the year focused on taking forward the integrations of the commercial networks in Spain and the banks in Poland. In addition, in a still weak environment with low interest rates, for the last three years the general strategic lines have remained the same: to protect the spreads of both loans and deposits, reduce the cost of funds, control costs and actively manage risks.

### Business activities and earnings

In 2013 the lending to customers of this area fell by 4% year on year as a result of the deleveraging of the property sector and the low demand for credit at the units in Spain and Portugal. The aggregate amount of customer deposits (excluding repos and including retail commercial paper), investment funds and pension funds rose by 2% in the year.

The profit attributable to the Group obtained in 2013 was EUR 1,127 million, which was 17.4% less than the 2012 profit before the property write-downs that were booked in that year.

Total income was down by 2.9% year on year as a result of the fall in the net interest income (-8.3%) which continued to reflect the weakness of the region's economies, the low interest rates, the still high average cost of liabilities and the repricing of mortgages. Conversely, the gains on financial assets and liabilities (wholesale businesses) made a bigger contribution.

There was a 1.8% rise in operating costs, basically as a result of the change in the scope of consolidation in Poland, since on a like-for-like basis their performance was flat (-0.8%) with costs at all units either decreasing or stable.

The ordinary credit loss provisions were 12.2% lower than those booked in 2012.

### *Spain*

The units in Spain did business in 2013 in a complicated environment, although there were signs of improvement in the second half of the year when GDP ended eight quarters of falls (+0.1% in the third quarter and +0.3% in the fourth quarter). There was a marked improvement in financial conditions with a sharp decrease in the sovereign debt risk premium; and the banking system gained in soundness with stronger solvency and liquidity ratios.

Nevertheless, the banking system continued to be affected by the process of business and household deleveraging, by interest rates at all-time lows (with the ECB main reference rate at 0.5%), and a non-performing ratio that was still rising.

## Strategy

In this environment, the Group is completing the merger of its two major commercial networks (Banco Santander and Banesto) and its specialised private banking unit (Banif), with the ultimate objective of increasing profitability and efficiency.

The integration process is proceeding on schedule, and even ahead of the initial estimates in some areas. After completing the legal integration in the first half of 2013, July saw the start of the process of branch concentration and optimisation, together with that of workforce optimisation, which is being implemented earlier than scheduled in order to obtain the cost synergies sooner.

### Business activities and earnings

The total funds managed (customer deposits, retail commercial paper, investment funds and pension funds) amounted to EUR 224,253 million at 31 December 2013, which was 3% less year on year (+1% excluding repos) This decrease was the result of the strategy of not renewing expensive institutional balances, which conceals the growth of retail funds overall.

Lending reflected the process of deleveraging in the market, with a year-on-year decrease of 8% (excluding the impact of reverse repos), which included the impact of the repayment in the last quarter of the approximately EUR 4,000 million of the supplier payment fund.

This performance of deposits and loans led to an improvement in the liquidity position (net loan-to-deposit ratio, including retail commercial paper of 87% in December 2013, compared with 90% in December 2012). As a result of this comfortable position, the focus was placed in the last three quarters on reducing the cost of funds, and this is reflected in the sharp drop in the cost of new time deposits which is gradually being passed on to the cost of the stock of customer deposits.

The non-performing loans ratio stood at 7.49%, an increase of 365 basis points in the year, largely affected by the impact of the reclassification carried out in June and by the effect that the deleveraging process is having on the denominator. The coverage ratio in December was 44%.

The profit obtained in 2013 was EUR 478 million, which was 44.6% less year on year.

The earnings for the year were impacted by the high level of credit loss provisions in this phase of the cycle, which stood at EUR 2,411 million, a similar amount to the previous year.

As regards income, the fall for the year overall reflects the decrease in volumes, the repricing of mortgages and a decrease in the cost of new deposits which has not yet been passed on to all of the stock. The trend, however, is one of improvement, with the fourth quarter net interest income up by 3.2% on the third quarter.

Operating costs were down by 1.4% year on year. The drop was much bigger in the last quarter when costs were 4.7% lower than in the third quarter, reflecting the first savings obtained from the integration and the efficiency plans designed.

### *Portugal*

The year showed some economic recovery, although at moderate rates. After the highest quarterly growth in the second quarter of 2013 (+1.1%), GDP grew 0.2% in the third quarter, based on the recovery of domestic demand, particularly private consumption and investment, confirming a sustainable trend of gradual emergence out of the recession.

### *Strategy*

In this economic and financial situation, the strategy at Santander Totta remained closely focused on increasing customer loyalty and customer transactions, and protecting spreads of both loans and deposits. At the same time, the management of non-performing loans continued to be a strategic priority, focusing particularly on preventative action.

### *Business activities and earnings*

Deposits at year end amounted to EUR 24,191 million, an increase of 1% year on year (-4% excluding repos). Lending continued its downward trend, falling 1% in the quarter, which took the year-on-year decrease to 5%.

At the end of 2013 Santander Totta had obtained attributable profit of EUR 114 million, compared with EUR 122 million in 2012. This performance reflects the impact of the economic situation on income, which the improvement in both operating costs and provisions did not manage to offset.

The total income was EUR 916 million, which was 11.6% less than in 2012, partly affected by the capital gain obtained in 2012 on the repurchase of securities, which took the gains on financial assets and liabilities to EUR 109 million, compared with EUR 51 million in 2013.

Operating costs continued to perform well with the ongoing application of the policy of optimising the commercial network to suit the new business environment, resulting in a decrease of 2.2%, with favourable variations in personnel expenses (-2.4%), general expenses (-1.2%) and amortisation and depreciation (-2.9%). This performance of income and costs led to an efficiency ratio of 54.1%.

The credit loss provisions stood at EUR 192 million, which was 51.0% less than in 2012, because of the lower need for write-downs in recent quarters (reduction of the cost of lending during the year), combined with the sizeable provisions booked in 2012).

### *Poland (changes in local currency)*

The rate of GDP growth slowed considerably at the beginning of 2013 to 0.5% year on year in the first quarter, and then rose again in the following quarters, reaching 1.9% year on year in the third quarter. It is expected to reach 2% in the fourth quarter of 2013.

#### Strategy

The integration of Bank Zachodni WBK S.A. and Kredyt Bank S.A. is one of the main management focuses. It is progressing slightly ahead of schedule with very effective management of costs due to the efficiency measures and the implementation of the integration plan. All of the branches now have the BZ WBK brand and IT systems, and the productivity of the former Kredyt Bank S.A. branches is continuing its upward trend.

#### Business activities and earnings

At 31 December 2013, Poland had EUR 16,214 million in net loans, EUR 18,503 million in customer deposits and a sound funding structure, as illustrated by the net loan-to-deposit ratio of 88%.

After the incorporation of Kredyt Bank S.A., loans were up 73% year on year and deposits were up 69%. Disregarding the impact of the change in the scope of consolidation, loans and deposits increased by 1%, the latter due to the reduction in costly balances. Investment funds were up by 12%.

The comparison of 2013 with 2012 is not uniform due to the scope of consolidation impact as a result of the integration of Kredyt Bank S.A. The attributable profit was EUR 334 million, up by 1.7% year on year.

In a comparison on a like-for-like basis, using local criteria and taking the proforma of the two banks, the profit rose by 3.9% due to flat income and a 5.7% reduction in costs.

### *Santander Consumer Finance*

The Santander Consumer Finance (SCF) units in continental Europe did business in 2013 in an economically weak environment.

Despite the slight recovery of recent quarters, the consumer finance business was hindered throughout the year by negative year-on-year rates of private spending (ranging from -1.2% in the first quarter to -0.4% in the third). The falls were much bigger in the European peripheral countries.

#### Strategy

SCF's sound performance is based on a business model that adapts well to this environment and enables it to gain profitable market share. It is founded on a high level of geographical diversification with critical mass in key markets and products, efficiency that is above that of its competitors and a risk control and recoveries system that is common to all the units.

In 2013 the main focuses of management were the management of costs, the development of a locally independent funding model, and the promotion of new lending and cross-selling tailored to the situation in each market (periphery, northern and central Europe), supported by brand agreements and penetration in used cars.

#### Business activities and earnings

Gross lending remained at around EUR 58,500 million, slightly below the figure at 31 December 2012 (-1%). There was growth at the units in central and northern Europe, particularly the Nordic countries, and falls in the peripheral countries due to the deleveraging of their economies.

New lending ended 2013 with a slight increase on the previous year (+1% year on year), at EUR 21,950 million. By product, noteworthy was the increase in durable goods (+6%), used vehicles (+4%) and new vehicles (+2%) in contrast with the fall in vehicle registrations in the footprint (-4%).

On the liability side, SCF maintained a high volume of customer deposits (EUR 30,878 million), which sets it apart from its competitors and gives it great funding stability.

The attributable profit in 2013 was EUR 794 million (up by 9.6% year on year) with improvement at practically all of the units.

By unit, there was a notable year-on-year increase in the attributable profit of the Nordic countries at rates of over 20% in local currency, underpinned by the growth in business volume and income. There was also double-digit growth of profit in Germany (due to improved fees and commissions and lower credit loss provisions) and growth, albeit lower, in Spain as well (due to lower write-downs). A strong contribution from Poland on a like-for-like basis, and a weaker one from Italy and Portugal, in line with their economic situations.

Lastly, the United Kingdom unit (included for accounting purposes in Santander UK) performed strongly once again and obtained attributable profit of EUR 101 million. Including this result, the total attributable profit of Santander Consumer Finance would be EUR 895 million.

#### *Real estate operations discontinued in Spain*

In addition to the above business units, there is a separate unit covering discontinued real estate operations in Spain, which includes the loans of customers whose main activity is property development that have a specialised management model, the investments related to the property sector (Metrovacesa, S.A. and Sareb) and the foreclosed assets.

The Group's strategy in recent years has been directed at reducing these assets, which at year end totalled EUR 10,781 million net and were down by EUR 1,496 million (12%) year on year. The breakdown of their performance is as follows:

- The net loans totalled EUR 5,735 million, a drop of EUR 1,563 million (21%) year on year. Their total credit coverage, including the outstanding balance, was 49%.
- The net foreclosed assets ended 2013 at EUR 3,600 million, after decreasing EUR 76 million (2%) in twelve months. These assets have a coverage allowance of EUR 4,390 million, equivalent to 55% of the gross assets.
- Lastly, the value of the investments in Metrovacesa, S.A. and Sareb was EUR 1,446 million.

As for earnings, the unit posted a loss of EUR 635 million, compared with a loss of EUR 659 million in 2012, disregarding the property write-downs in 2012. If they are included, the loss in 2012 was EUR 4,769 million.

#### *United Kingdom (changes in local Currency)*

The latest performance indicators point to greater economic growth in 2013. After growing 0.1% in 2012, GDP rose by 0.4%, 0.7% and 0.8% in the first, second and third quarter, respectively.

#### *Strategy*

The strategy at Santander UK is centred on three priorities: increasing customer loyalty and satisfaction to build a bank that is more based on customer relations; being the bank of choice for businesses, and maintaining balance sheet profitability and strength.

#### *Business activities and earnings*

Santander UK focuses its business on the United Kingdom, where 83% of the loans consist of high quality residential mortgages with no exposure to self-certified or subprime mortgages and where buy-to-let loans account for approximately 1% of the loans. The net loan-to-deposit ratio was 123%, a drop of five percentage points from 2012, due to the fact that the decrease in loans was higher than the decrease in customer deposits.

Under local criteria, loans totalled GBP 187,100 million, which was 4% less than in 2012 due to the 5% fall in mortgages (mostly interest-only loans). This decrease was partially offset by the increase in loans to businesses (up 13%).

At GBP 146,400 million, commercial deposits were down 1% due to the ongoing strategy of reducing more costly and volatile deposits (mainly maturities of more costly eSaver products) and replacing them with others with greater potential for customer loyalty.

In 2013 the profit from continuing operations was GBP 984 million, an increase of 26.7% on 2012. The attributable profit after discontinued operations (the card business sold in the second quarter of 2013) was EUR 976 million (up by 16.4%).

This growth was founded largely on the net interest income, which was up by 8.3% year on year after rising in each quarter, thanks to the spread on the stock of mortgages and the maturity of costly deposits in the second half of the year. This meant that the total commercial income was higher than the year before and absorbed the lower fees and commissions, mainly due to the decrease in Global Banking & Markets business.

Costs increased 1.5% in 2013, below inflation and income, in addition to absorbing the investments made in retail banking and businesses. These investment programmes continue to support the transformation of the business at the same time as they establish the basis for improved efficiency, which at the end of December was 53.4% (1.4 percentage points up on 2012).

The credit loss provisions were 24.6% lower than in 2012 due to the improved balance sheet quality throughout the range of products. The non-performing loans ratio stood at 1.98% in December 2013 down from 2.05% at the end of 2012.

#### *Latin America* (changes in constant currency)

The Group is the leading international franchise in the region. It has 5,904 points of customer service (including traditional branch offices and banking service points) and a base of 46.9 million customers.

#### Strategy

The strategy in 2013 was focused on the expansion and consolidation of the business of the commercial franchise in the region. The specialised offering of products and services is being strengthened in line with customer requirements, which will enable the Bank to boost the long-term growth of the business; all while maintaining constant vigilance of risk quality.

#### Business activities and earnings

Lending (excluding reverse repos) was up by 9% on December 2012. Deposits (excluding repos) were up by 8% year on year (including financial bills in Brazil).

The profit attributable to the Group in 2013 was EUR 3,257 million, down by 16.3% year on year. Excluding the effect of the changes in the scope of consolidation (Colombia sale, increased non-controlling interests in Mexico and corporate transaction in the insurance business) the fall was 10.9%.

Income stood at EUR 21,083 million, which was 2.0% less than in 2012.

Costs were up 5.9% year on year due to the investment in networks and commercial projects (some of them traditional, others targeting priority customer segments), inflationary pressures on pay agreements and hired services, and greater technology amortisations.

Credit loss provisions were down by 1.4% as a result of the 8.9% decrease in Brazil which reduced its provisions in the last three months after the change in trend at the beginning of 2013. This made up for the increases in Mexico and Chile.

The non-performing loans ratio improved in 2013, ending the year at 5.03%, which was 39 b.p. less than at the end of 2012, assisted by the favourable impact of Brazil. The coverage ratio was 85%.

#### *Brazil* (changes in local currency)

Santander Brasil is the country's third biggest private bank by assets, and the leading foreign bank. Present in the country's main regions, it has a network of 3,566 branches and banking service points.

Brazil was the world's seventh biggest power in 2012 (ranked by nominal GDP) according to FMI estimates, after recording estimated growth in 2013 of 2.3%.

#### Strategy

The Bank's strategy rests on the following pillars: increased customer satisfaction, greater efficiency, emphasis of the business on greater diversification of income with stringent risk management at all stages of the cycle, and capital discipline.

#### Business activities and earnings

Lending to customers was up by 7% year on year, supported mainly by mortgages, where the market is still in its early stages, and the large companies segment. The total customer funds attracted were up by 15% year on year, with good performance from demand and savings deposits (+22%) and investment funds (+32%).

In 2013, Santander Brasil obtained attributable profit of EUR 1,577 million, a decrease of 17.8% year on year in local currency.

Income amounted to EUR 13,565 million, which was 6.4% less than in 2012, mainly due to the fall in the net interest income as a result of the change in the portfolio mix and the compression of credit spreads, particularly the shift towards products with lower spreads and also lower cost of credit.

Costs were 3.9% higher than in 2012, well below inflation, while absorbing both the greater depreciation and amortisation charges due to the investments made and the implementation of the collective pay agreement. Disregarding depreciation and amortisation, expenses rose by 2.6%, reflecting the effort being made in recent months in cost control.

Provisions performed well in the year, falling quarter by quarter, leading to an overall decrease of 8.9%.

This was a result of the big improvement in the non-performing loans ratio from 6.86% in December 2012 to 5.64% at 2013 year end.

#### *Mexico* (all changes in local currency)

Santander is the country's fourth biggest financial group by business volume. At 31 December 2013 it had 1,258 branch offices.

The estimated economic growth in Mexico for the year was 1.2%, which was lower than initially forecast. One of the contributing factors was the sharp contraction of the construction industry, together with lower external demand in the first half.

Against this background, the Bank of Mexico lowered the reference interest rate in the second half of the year to 3.50%.

#### Strategy

In this environment, Santander Mexico continued establishing its franchise in 2013 by focusing primarily on customer relations and increasing service quality. Strategy concentrated on consolidating the development of commercial banking, particularly in the high income, SME and business segments, and through the plans designed to increase the transactional loyalty of customers, multi-channel banking and the development of bespoke value offerings.

#### Business activities and earnings

Lending rose by 12%. Deposits excluding repos rose by 4%, since the fall in time deposits was offset by a 21% increase in demand deposits.

The attributable profit of EUR 713 million was 29.2% less than in 2012. Before non-controlling interests the decrease was 12.2%.

The gross operating income rose by 8.3% year on year, with good performance of the net interest income (up by 5.9%) and fees and commissions (up by 8.1%).

Costs were up by 9.9% year on year as a reflection of the new commercial ventures and the greater installed capacity.

There was a 72.2% increase in credit loss provisions, mainly as a result of the charge made for housing developers under IFRS rules (under local criteria it was made against equity); and the increased volumes of credit. Another contributing factor was the release of provisions booked in the first quarter of 2012.

The non-performing loans ratio was 3.66% and the coverage ratio was 97%, reflecting the good quality of the portfolio.

#### *Chile* (all changes in local currency)

Santander is Chile's leading bank in terms of assets and customers, with a marked retail focus (private individuals and SMEs). The Bank has a distribution network of 493 branch offices.

The rate of expansion of economic activity was 4.0%-4.5% as a result of the slowdown in consumption, the growth rate of which, nevertheless, was still positive, supported by a tight labour market (unemployment below 6% and an increase in real wages), and moderation of investment.

#### Strategy

The Group is maintaining its strategy to protect long-term profitability in a climate of smaller margins and greater delinquency. To do this the Strategic Plan designed seeks to consolidate the franchise by means of four pillars: improving the quality of customer service, focus on commercial banking, proactive management of risks and ongoing review of processes to increase operating efficiency. The new CRM and the Santander Select model of customer service both form part of this strategy.

#### Business activities and earnings

Lending increased 11% and deposits increased 8% year on year, with demand deposits up by 10% as a result of the greater focus placed on them and the bigger increase in the number of customers.

The attributable profit was down by 6.6% year on year at EUR 435 million.

In 2013 the gross operating income was 3.0% higher than in 2012 due to the increase in the net interest income and the higher ROE.

Costs rose 5.5%, although the year-on-year growth rate slowed with the completion of a number of projects being implemented in recent years, such as the conversion of branch offices to the new Select model and the technology investments to strengthen the Bank's transactional capabilities.

Credit loss provisions were 9.5% higher and benefited from the sustained improvement in the private individuals portfolio, which was partially offset by some isolated positions of businesses. The risk premium remained stable, with a non-performing loans ratio of 5.91% and a coverage ratio of 51%.

#### *Other countries* (changes in local currency)

In Argentina, Santander Río is the country's leading private bank by asset volume, customer funds and earnings. In 2013 it obtained attributable profit of EUR 333 million, an increase of 26.3% in local currency. Lending was up 35% year on year, with noteworthy growth in both SMEs and businesses. There was a 30% increase in deposits, with growth in both demand deposits (+24%) and time deposits (+42%).

In Uruguay, the Group kept its position of leadership. The attributable profit was EUR 53 million, which was an increase of 18.8% on 2012. There was growth in both loans (+24%) and deposits (+17%), heavily supported by retail banking.

Santander Puerto Rico has 115 branch offices. The attributable profit increased 40.7% to EUR 77 million, mainly as a result of the strategy of cutting the cost of liabilities, the good performance of the

credit loss provisions and cost control. As for business activity, loans were down 8% and deposits remained flat year on year.

In Peru the attributable profit was up year on year by 28.1% in local currency, as a result of the good performance of the net interest income, which increased by 46.7%. There was a 29% increase in lending year on year, while deposits rose by 15%.

#### *United States* (changes in local currency)

Business was done in a setting of moderate growth in which the monetary authorities kept interest rates very low and implemented other unconventional stimulus measures such as quantitative easing. The market is already anticipating the effects of a future rise in interest rates and the progressive withdrawal of the stimulus measures.

#### Strategy

The scope of consolidation of Santander US is that of Santander Holdings USA (SHUSA), a bank holding company with two distinct lines of business: the commercial banking activity that it carries on through its subsidiary Santander Bank, and the consumer finance business that it carries on through its stake in Santander Consumer USA (SCUSA). On 17 October 2013, Sovereign Bank N.A. changed its name to Santander Bank N.A., thereby completing the process of changing the brand.

With 706 branch offices, Santander Bank's business model focuses on retail customers and businesses. The Bank operates in the north east of the United States.

SCUSA, based in Dallas, specialises in the consumer finance business, mainly cars. The shareholding is carried by the equity method.

#### Business activities and earnings

On the asset side, lending was down 5% year on year, mainly due to the strategy of originating to sell in the mortgage business. On the liability side, customer deposits were down 3% due to the strategy of reducing funding costs, leading to an increase in demand deposits (+9%) and a decrease in time deposits (-36%).

Santander US obtained attributable profit of USD 961 million, which was 7.1% less than in 2012. Santander Bank booked EUR 548 million of this total, which was 8.5% less than in 2012 due to the fall in income (as a result of lower business volumes and the sale of part of the investment portfolio) and the rise in costs as a result of the change in brand and compliance expenses.

SCUSA's contribution was 5.2% lower than in 2012 at USD 413 million. Although SCUSA maintained a strong trend of growth in volumes (loans up by 35%) and net interest income (up by 27%), partly as a result of the agreement with Chrysler, this growth was not yet reflected in the profit because of the requirement for greater provisions due to the increase in production in recent quarters.

#### ***Second or Business Level***

The secondary or business segment reporting distinguishes between commercial banking, global wholesale banking, asset management and insurance, and the discontinued operations unit in Spain, the sum of which is equal to that of the four geographical areas composing the primary segment reporting.

The commercial banking area accounted for 85% of the income and 74% of the attributable profit obtained by the Group's operating areas in 2013.

Under business activities, lending was down 1% (excluding the exchange rate effect), with mixed performance depending on the markets, since the mature markets fell by 5%, whereas the emerging markets recorded growth of 14%, partly due to the scope of consolidation effect in Poland. Deposits excluding repos grew by 2%.

Attributable profit of EUR 5,077 million was obtained in 2013, which was 13.8% less than in 2012 (down by 8.9% in constant euros). Broken down, income fell by 9.2% (down by 3.1% in constant euros) as a result of the climate of low growth, low interest rates, the Group's strategy of prioritising

balance sheet liquidity and strength over the past two years, and the shift in mix towards products with less risk.

Operating costs were down by 1.6% (up by 4.4% in constant euros) and the total provisions and write-downs were lower than those booked in 2012.

#### *Global wholesale banking*

A segment managed by Santander Global Banking & Markets (SGB&M), generated 13% of income and 22% of the attributable profit of the Santander Group operating areas in 2013.

The attributable profit in 2013 was EUR 1,503 million, down by 21.4% from 2012. This fall was due to the higher credit loss provisions, mainly in Spain and Mexico, since income remained almost flat and costs fell 1.6%.

#### *Asset management and insurance*

The asset management and insurance area accounted for 9% of the total income of the operating areas in 2013.

The area obtained attributable profit of EUR 313 million. This was 22.3% lower than in 2012 and accounted for 4% of the profit of the Group's operating areas.

Excluding the corporate insurance transactions booked in the second half of 2012 (reinsurance of the life risk portfolio in Spain and Portugal) and the first half of 2013 (strategic bank assurance alliance - life and general - in Spain), the fall in the area's attributable profit would be reduced to 7.1% in constant euros.

#### *Corporate Activities*

In 2013 this area posted a loss of EUR 1,887 million compared with a loss of EUR 2,125 million in 2012, before the booking of capital gains. Taking capital gains into account, the loss was EUR 1,142 million.

In the year-on-year comparison, income remained flat, with a more negative net interest income, which was offset by the higher gains from the management of structural balance sheet risks (gains on financial assets and liabilities: EUR 1,184 million in 2013 and 716 million in 2012).

Costs increased mainly as a result of the base effect due to the adjustment made in the fourth quarter of 2012.

Total write-downs and other income were lower than in 2012, when there were charges for goodwill in Italy, the property fund and the expenses for the integration of SEB in Germany.

The condensed balance sheets and income statements of the various geographical segments are as follows:

(Condensed) balance sheet	Millions of euros						
	2013						
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Intra-Group eliminations	Total
<b>Total assets</b>	<b>436,641</b>	<b>323,744</b>	<b>249,978</b>	<b>54,331</b>	<b>181,722</b>	<b>(130,778)</b>	<b>1,115,638</b>
Loans and advances to customers	266,355	231,046	132,542	37,682	1,231	-	668,856
Financial assets held for trading (excluding loans and advances)	50,317	28,832	23,108	117	2,333	-	104,707
Available-for-sale financial assets	37,319	6,003	20,947	8,854	10,676	-	83,799
Loans and advances to credit institutions	38,506	17,136	28,213	348	28,774	(38,013)	74,964
Non-current assets (*)	6,297	2,498	3,931	585	3,303	-	16,614
Other asset accounts	37,847	38,229	41,237	6,745	135,405	(92,765)	166,698
<b>Total liabilities and equity</b>	<b>436,641</b>	<b>323,744</b>	<b>249,978</b>	<b>54,331</b>	<b>181,722</b>	<b>(130,778)</b>	<b>1,115,638</b>
Customer deposits	256,138	187,467	125,844	35,537	2,851	-	607,837
Marketable debt securities	16,781	64,093	28,987	1,146	64,470	-	175,477
Subordinated liabilities	406	5,805	4,832	1,225	3,871	-	16,139
Liabilities under insurance contracts	1,430	-	-	-	-	-	1,430
Deposits from central banks and credit institutions	59,041	26,882	24,825	8,101	28,561	(38,013)	109,397
Other accounts (**)	77,194	26,855	45,253	2,649	1,193	(28,562)	124,582
Equity (share capital and reserves)	25,651	12,642	20,237	5,673	80,776	(64,203)	80,776
<b>Other customer funds under management</b>	<b>50,962</b>	<b>9,645</b>	<b>64,563</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125,170</b>
Investment funds	33,445	9,645	50,214	-	-	-	93,304
Pension funds	10,879	-	-	-	-	-	10,879
Assets under management	6,638	-	14,349	-	-	-	20,987
<b>Customer funds under management (***)</b>	<b>324,287</b>	<b>267,010</b>	<b>224,226</b>	<b>37,908</b>	<b>71,192</b>	<b>-</b>	<b>924,623</b>

(\*) Including Tangible assets and Other intangible assets.

(\*\*) Including, in addition to liability items not broken down, the balances of Valuation adjustments, Non-controlling interests and Profit for the year attributable to the Parent.

(\*\*\*) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

The Corporate Activities segment acts as the Group's holding company. Therefore, it manages all equity (share capital and reserves of all the units) and determines the allocation thereof to each unit. The Group's equity (EUR 80,776 million) is initially assigned to this segment, and is then allocated in accordance with corporate policies to the business units (EUR 64,203 million). This allocation is shown as an asset of the Corporate Activities segment (included in Other asset accounts) and as a liability of each business unit (included in Equity (share capital and reserves)). Therefore, the allocation is reflected in the intra-Group elimination adjustment balance sheet in order not to duplicate the balances and obtain the total consolidated balance sheet for the Group.

(Condensed) balance sheet	Millions of euros						
	2012						
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Intra-Group eliminations	Total
<b>Total assets</b>	<b>495,272</b>	<b>359,058</b>	<b>269,627</b>	<b>62,950</b>	<b>243,455</b>	<b>(160,762)</b>	<b>1,269,600</b>
Loans and advances to customers	283,427	249,157	140,090	41,331	5,107	-	719,112
Financial assets held for trading (excluding loans and advances)	87,992	38,177	28,403	275	4,065	-	158,912
Available-for-sale financial assets	38,309	6,718	23,499	14,791	8,949	-	92,266
Loans and advances to credit institutions	49,020	18,124	25,799	714	50,422	(70,179)	73,900
Non-current assets (*)	5,697	2,561	4,490	560	3,988	-	17,296
Other asset accounts	30,827	44,321	47,346	5,279	170,924	(90,583)	208,114
<b>Total liabilities and equity</b>	<b>495,272</b>	<b>359,058</b>	<b>269,627</b>	<b>62,950</b>	<b>243,455</b>	<b>(160,762)</b>	<b>1,269,600</b>
Customer deposits	256,154	194,452	134,765	38,116	3,152	-	626,639
Marketable debt securities	21,119	73,919	28,107	820	82,002	2	205,969
Subordinated liabilities	118	5,534	5,734	1,986	4,866	-	18,238
Liabilities under insurance contracts	1,425	-	-	-	-	-	1,425
Deposits from central banks and credit institutions	78,177	29,313	32,131	14,221	69,304	(70,180)	152,966
Other accounts (**)	107,245	42,689	48,481	2,628	4,442	(20,811)	184,674
Equity (share capital and reserves)	31,034	13,151	20,409	5,179	79,689	(69,773)	79,689
<b>Other customer funds under management</b>	<b>43,391</b>	<b>13,919</b>	<b>60,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,141</b>
Investment funds	27,080	13,919	48,177	-	-	-	89,176
Pension funds	10,076	-	-	-	-	-	10,076
Assets under management	6,235	-	12,654	-	-	-	18,889
<b>Customer funds under management (***)</b>	<b>320,782</b>	<b>287,824</b>	<b>229,437</b>	<b>40,922</b>	<b>90,020</b>	<b>2</b>	<b>968,987</b>

(\*) Including Tangible assets and Other intangible assets.

(\*\*) Including, in addition to liability items not broken down, the balances of Valuation adjustments, Non-controlling interests and Profit for the year attributable to the Parent.

(\*\*\*) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

(Condensed) balance sheet	Millions of euros						
	2011						
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Intra-Group eliminations	Total
<b>Total assets</b>	<b>497,157</b>	<b>355,542</b>	<b>275,105</b>	<b>59,785</b>	<b>289,766</b>	<b>(226,346)</b>	<b>1,251,009</b>
Loans and advances to customers	303,117	254,140	139,867	40,194	5,078	6,145	748,541
Financial assets held for trading (excluding loans and advances)	79,230	41,440	31,705	271	7,300	-	159,946
Available-for-sale financial assets	40,424	55	26,186	12,435	7,513	-	86,613
Loans and advances to credit institutions	43,635	16,808	19,181	677	68,502	(97,077)	51,726
Non-current assets (*)	5,359	2,290	4,312	493	4,385	1	16,840
Other asset accounts	25,392	40,809	53,854	5,715	196,988	(135,415)	187,343
<b>Total liabilities and equity</b>	<b>497,157</b>	<b>355,542</b>	<b>275,105</b>	<b>59,785</b>	<b>289,766</b>	<b>(226,346)</b>	<b>1,251,009</b>
Customer deposits	244,836	194,317	134,078	36,884	22,418	-	632,533
Marketable debt securities	16,586	70,823	23,253	1,653	83,721	1,336	197,372
Subordinated liabilities	181	8,260	6,015	2,275	6,260	1	22,992
Liabilities under insurance contracts	517	-	-	-	-	-	517
Deposits from central banks and credit institutions	72,239	31,203	46,832	11,570	139,668	(158,374)	143,138
Other accounts (**)	133,418	37,922	45,435	2,862	(39,416)	(2,879)	177,342
Equity (share capital and reserves)	29,380	13,017	19,492	4,541	77,115	(66,430)	77,115
<b>Other customer funds under management</b>	<b>40,050</b>	<b>15,744</b>	<b>69,902</b>	<b>1</b>	<b>5,759</b>	<b>-</b>	<b>131,456</b>
Investment funds	27,124	15,744	55,829	-	3,914	-	102,611
Pension funds	8,159	-	-	-	1,486	-	9,645
Assets under management	4,767	-	14,073	1	359	-	19,200
<b>Customer funds under management</b>	<b>301,653</b>	<b>289,144</b>	<b>233,248</b>	<b>40,813</b>	<b>118,158</b>	<b>1,337</b>	<b>984,353</b>

(\*) Including Tangible assets and Other intangible assets.

(\*\*) Including, in addition to liability items not broken down, the balances of Valuation adjustments, Non-controlling interests and Profit for the year attributable to the Parent.

(\*\*\*) Including Customer deposits, Marketable debt securities, Subordinated liabilities and Other customer funds under management.

(Condensed) income statement	Millions of euros					
	2013					
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Total
<b>NET INTEREST INCOME (LOSS)</b>	<b>8,123</b>	<b>3,451</b>	<b>15,186</b>	<b>1,409</b>	<b>(2,234)</b>	<b>25,935</b>
Dividends	265	1	54	23	35	378
Share of results of entities accounted for using the equity method	(19)	4	202	321	(8)	500
Net fee and commission income (expense)	3,552	991	4,874	394	(50)	9,761
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	775	403	1,038	69	1,109	3,394
Other operating income (expenses)	(111)	30	(271)	(58)	119	(291)
<b>GROSS INCOME (LOSS)</b>	<b>12,585</b>	<b>4,880</b>	<b>21,083</b>	<b>2,158</b>	<b>(1,029)</b>	<b>39,677</b>
General administrative expenses	(5,807)	(2,181)	(7,801)	(1,097)	(566)	(17,452)
<i>Staff costs</i>	<i>(3,527)</i>	<i>(1,401)</i>	<i>(4,319)</i>	<i>(606)</i>	<i>(216)</i>	<i>(10,069)</i>
<i>Other general administrative expenses</i>	<i>(2,280)</i>	<i>(780)</i>	<i>(3,482)</i>	<i>(491)</i>	<i>(350)</i>	<i>(7,382)</i>
Depreciation and amortisation charge	(769)	(424)	(904)	(163)	(131)	(2,391)
Provisions (net)	(158)	(232)	(783)	(50)	(959)	(2,182)
Impairment losses	(3,766)	(580)	(6,533)	4	(352)	(11,227)
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>2,085</b>	<b>1,463</b>	<b>5,062</b>	<b>852</b>	<b>(3,037)</b>	<b>6,425</b>
Impairment losses on non-financial assets	(65)	(4)	(25)	(16)	(393)	(503)
Other income and charges	(374)	-	307	2	1,795	1,730
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,646</b>	<b>1,459</b>	<b>5,344</b>	<b>838</b>	<b>(1,635)</b>	<b>7,652</b>
Income tax	(376)	(301)	(1,208)	(113)	(115)	(2,113)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>1,270</b>	<b>1,158</b>	<b>4,136</b>	<b>725</b>	<b>(1,750)</b>	<b>5,539</b>
Loss from discontinued operations	(6)	(9)	-	-	-	(15)
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>1,264</b>	<b>1,149</b>	<b>4,136</b>	<b>725</b>	<b>(1,750)</b>	<b>5,524</b>
Attributable to non-controlling interests	137	-	879	-	138	1,154
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT</b>	<b>1,127</b>	<b>1,149</b>	<b>3,257</b>	<b>725</b>	<b>(1,888)</b>	<b>4,370</b>

(Condensed) income statement	Millions of euros											
	2012						2011					
	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Total	Continental Europe	United Kingdom	Latin America	United States	Corporate Activities	Total
<b>NET INTEREST INCOME (LOSS)</b>	<b>8,854</b>	<b>3,336</b>	<b>17,881</b>	<b>1,695</b>	<b>(1,843)</b>	<b>29,923</b>	<b>7,976</b>	<b>4,128</b>	<b>16,473</b>	<b>3,289</b>	<b>(1,272)</b>	<b>30,594</b>
Dividends	289	1	60	20	53	423	264	1	72	1	56	394
Share of results of entities accounted for using the equity method	(88)	(5)	183	341	(4)	427	17	1	36	-	3	57
Net fee and commission income (expense)	3,625	1,190	5,097	378	(29)	10,261	3,767	1,015	4,992	643	(9)	10,408
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	306	1,231	1,071	244	288	3,140	254	405	1,067	192	398	2,316
Other operating income (expenses)	(19)	24	(358)	(73)	536	110	131	28	(198)	(57)	117	21
<b>GROSS INCOME (LOSS)</b>	<b>12,967</b>	<b>5,777</b>	<b>23,934</b>	<b>2,605</b>	<b>(999)</b>	<b>44,284</b>	<b>12,409</b>	<b>5,578</b>	<b>22,442</b>	<b>4,068</b>	<b>(707)</b>	<b>43,790</b>
General administrative expenses	(5,790)	(2,311)	(8,253)	(1,037)	(410)	(17,801)	(5,805)	(2,131)	(8,037)	(1,169)	(502)	(17,644)
<i>Staff costs</i>	<i>(3,498)</i>	<i>(1,492)</i>	<i>(4,643)</i>	<i>(571)</i>	<i>(102)</i>	<i>(10,306)</i>	<i>(3,535)</i>	<i>(1,407)</i>	<i>(4,480)</i>	<i>(645)</i>	<i>(238)</i>	<i>(10,305)</i>
<i>Other general administrative expenses</i>	<i>(2,292)</i>	<i>(819)</i>	<i>(3,610)</i>	<i>(466)</i>	<i>(308)</i>	<i>(7,495)</i>	<i>(2,270)</i>	<i>(724)</i>	<i>(3,557)</i>	<i>(524)</i>	<i>(264)</i>	<i>(7,339)</i>
Depreciation and amortisation charge	(667)	(379)	(871)	(146)	(120)	(2,183)	(590)	(343)	(932)	(126)	(107)	(2,098)
Provisions (net)	(130)	(522)	(1,027)	(170)	371	(1,478)	(437)	(964)	(1,052)	(43)	(120)	(2,616)
Impairment losses	(9,903)	(1,220)	(7,380)	(265)	(112)	(18,880)	(3,694)	(559)	(5,448)	(1,006)	(1,087)	(11,794)
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>(3,523)</b>	<b>1,345</b>	<b>6,403</b>	<b>987</b>	<b>(1,270)</b>	<b>3,942</b>	<b>1,883</b>	<b>1,581</b>	<b>6,973</b>	<b>1,724</b>	<b>(2,523)</b>	<b>9,638</b>
Impairment losses on non-financial assets	(27)	-	(17)	(24)	(440)	(508)	(75)	-	(39)	(118)	(1,285)	(1,517)
Other income and charges	(757)	5	226	7	668	149	(1,719)	9	62	-	1,385	(263)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>(4,307)</b>	<b>1,350</b>	<b>6,612</b>	<b>970</b>	<b>(1,042)</b>	<b>3,583</b>	<b>89</b>	<b>1,590</b>	<b>6,996</b>	<b>1,606</b>	<b>(2,423)</b>	<b>7,858</b>
Income tax	1,490	(312)	(1,484)	(165)	(119)	(590)	133	(424)	(1,636)	(554)	726	(1,755)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(2,817)</b>	<b>1,038</b>	<b>5,128</b>	<b>805</b>	<b>(1,161)</b>	<b>2,993</b>	<b>222</b>	<b>1,166</b>	<b>5,360</b>	<b>1,052</b>	<b>(1,697)</b>	<b>6,103</b>
Profit (Loss) from discontinued operations	(7)	77	-	-	-	70	(24)	39	-	-	-	15
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>(2,824)</b>	<b>1,115</b>	<b>5,128</b>	<b>805</b>	<b>(1,161)</b>	<b>3,063</b>	<b>198</b>	<b>1,205</b>	<b>5,360</b>	<b>1,052</b>	<b>(1,697)</b>	<b>6,118</b>
Attributable to non-controlling interests	(79)	-	866	-	(19)	768	28	-	738	48	(26)	788
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT</b>	<b>(2,745)</b>	<b>1,115</b>	<b>4,262</b>	<b>805</b>	<b>(1,142)</b>	<b>2,295</b>	<b>170</b>	<b>1,205</b>	<b>4,622</b>	<b>1,004</b>	<b>(1,671)</b>	<b>5,330</b>

Following is 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 2013 and 2012.

	Revenue (millions of euros)					
	Revenue from external customers		Inter-segment revenue		Total revenue	
	2013	2012	2013	2012	2013	2012
Continental Europe	24,369	27,139	1,141	248	25,510	27,387
United Kingdom	9,612	11,019	1,180	1,294	10,792	12,313
Latin America	33,071	37,025	388	262	33,459	37,287
United States	2,369	3,066	119	(62)	2,488	3,004
Corporate Activities	4,015	3,718	6,862	9,056	10,877	12,774
Inter-segment revenue adjustments and eliminations	-	-	(9,690)	(10,798)	(9,690)	(10,798)
	<b>73,436</b>	<b>81,967</b>	-	-	<b>73,436</b>	<b>81,967</b>

At this secondary level of segment reporting, the Group is structured into commercial banking, asset management and insurance, global wholesale banking and the segment relating to real estate operations discontinued in Spain; the sum of these four segments is equal to that of the primary geographical operating segments. Total figures for the Group are obtained by adding to the business segments the data for the corporate activities segment.

The commercial banking segment encompasses the entire commercial banking business (except for the corporate banking business managed globally using the global relationship model). The asset management and insurance segment includes the contribution to the Group arising from the design and management of the investment fund, pension and insurance businesses of the various units. The global wholesale banking segment reflects the returns on the global corporate banking business, those on investment banking and markets worldwide, including all the globally managed treasury departments and the equities business.

The condensed income statements and other significant data are as follows:

(Condensed) income statement	Millions of euros											
	2013						2012					
	Commercial banking	Global whole-sale banking	Asset management and insurance	Real estate operations discontinued in Spain	Corporate Activities	Total	Commercial banking	Global wholesale banking	Asset management and insurance	Real estate operations discontinued in Spain	Corporate Activities	Total
<b>NET INTEREST INCOME (LOSS)</b>	<b>25,552</b>	<b>2,464</b>	<b>115</b>	<b>38</b>	<b>(2,234)</b>	<b>25,935</b>	<b>28,865</b>	<b>2,708</b>	<b>119</b>	<b>74</b>	<b>(1,843)</b>	<b>29,923</b>
Income from equity instruments	78	265	-	-	35	378	86	284	-	-	53	423
Share of results of entities accounted for using the equity method	401	(1)	148	(40)	(8)	500	400	-	131	(100)	(4)	427
Net fee and commission income (expense)	8,193	1,254	349	15	(50)	9,761	8,471	1,360	418	41	(29)	10,261
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	1,119	1,159	6	1	1,109	3,394	2,004	840	3	5	288	3,140
Other operating income (expenses)	(553)	7	145	(8)	118	(291)	(630)	(16)	223	(3)	536	110
<b>GROSS INCOME (LOSS)</b>	<b>34,790</b>	<b>5,148</b>	<b>763</b>	<b>6</b>	<b>(1,030)</b>	<b>39,677</b>	<b>39,196</b>	<b>5,176</b>	<b>894</b>	<b>17</b>	<b>(999)</b>	<b>44,284</b>
General administrative expenses	(14,890)	(1,549)	(285)	(162)	(566)	(17,452)	(15,343)	(1,592)	(272)	(184)	(410)	(17,801)
Staff costs	(8,669)	(988)	(149)	(47)	(216)	(10,069)	(8,986)	(1,013)	(160)	(45)	(102)	(10,306)
Other general administrative expenses	(6,221)	(561)	(136)	(115)	(350)	(7,383)	(6,357)	(579)	(112)	(139)	(308)	(7,495)
Depreciation and amortisation charge	(2,027)	(186)	(33)	(13)	(132)	(2,391)	(1,848)	(171)	(35)	(9)	(120)	(2,183)
Provisions (net)	(1,173)	(47)	(3)	-	(959)	(2,182)	(1,815)	(17)	(17)	-	371	(1,478)
Impairment losses	(9,506)	(952)	(7)	(410)	(352)	(11,227)	(12,182)	(420)	(2)	(6,164)	(112)	(18,880)
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>7,194</b>	<b>2,414</b>	<b>435</b>	<b>(579)</b>	<b>(3,039)</b>	<b>6,425</b>	<b>8,008</b>	<b>2,976</b>	<b>568</b>	<b>(6,340)</b>	<b>(1,270)</b>	<b>3,942</b>
Net impairment losses on non-financial assets	(73)	(37)	-	-	(393)	(503)	(44)	(24)	-	-	(440)	(508)
Other non-financial gains (losses)	249	12	2	(328)	1,795	1,730	219	(5)	8	(741)	668	149
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>7,370</b>	<b>2,389</b>	<b>437</b>	<b>(907)</b>	<b>(1,637)</b>	<b>7,652</b>	<b>8,183</b>	<b>2,947</b>	<b>576</b>	<b>(7,081)</b>	<b>(1,042)</b>	<b>3,583</b>
Income tax	(1,509)	(661)	(101)	272	(114)	(2,113)	(1,675)	(827)	(154)	2,185	(119)	(590)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>5,861</b>	<b>1,728</b>	<b>336</b>	<b>(635)</b>	<b>(1,751)</b>	<b>5,539</b>	<b>6,508</b>	<b>2,120</b>	<b>422</b>	<b>(4,896)</b>	<b>(1,161)</b>	<b>2,993</b>
Profit (Loss) from discontinued operations	(15)	-	-	-	-	(15)	70	-	-	-	-	70
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>5,846</b>	<b>1,728</b>	<b>336</b>	<b>(635)</b>	<b>(1,751)</b>	<b>5,524</b>	<b>6,578</b>	<b>2,120</b>	<b>422</b>	<b>(4,896)</b>	<b>(1,161)</b>	<b>3,063</b>
Attributable to non-controlling interests	769	224	24	-	137	1,154	686	209	20	(128)	(19)	768
<b>PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT</b>	<b>5,077</b>	<b>1,504</b>	<b>312</b>	<b>(635)</b>	<b>(1,888)</b>	<b>4,370</b>	<b>5,892</b>	<b>1,911</b>	<b>402</b>	<b>(4,768)</b>	<b>(1,142)</b>	<b>2,295</b>

## ***Marketing of products and services***

### **Policies**

At Grupo Santander management of the reputational risk that could arise from an inadequate sale of products or from an incorrect provision of services by the Group is conducted in accordance with the corporate policies of marketing of products and services.

These corporate policies aim to set a single corporate framework for all countries, businesses and institutions: (i) strengthening organisational structures; (ii) ensuring that the decision-making committees oversee not only the approval of products or services, but also the monitoring of them during their whole life and (iii) setting the guidelines for defining uniform criteria and procedures for the whole Group for the marketing of products and services, covering all phases (admission, pre-sale, sale and post-sale).

The developments and specific adjustment of these policies to the local reality and to local regulatory requirements is carried out through local internal rules in the Group's various units, following authorisation by the corporate area of compliance and reputational risk.

### ***Governance and organization***

The corporate and local marketing committees, the global consultative committee, the corporate committee of monitoring and the corporate and local offices comprise the organisational structure of the risk that could arise from an inadequate marketing of products and services.

The corporate committee of marketing (CCM) is the maximum decision-making body for approving products and services and is chaired by the Group's secretary general. It is made up of representatives of the divisions of risks, financial management, technology and operations, the general secretariat, general audit and control, internal auditing, retail banking, global wholesale banking, private banking, asset management and insurance.

The CCM attaches particular importance to adjusting products and services to the framework where they are going to be marketed, paying special attention to ensuring that:

- Each product or service is sold by suitable staff.
- Customers are provided with the necessary and adequate information.
- The product or service is adjusted to the customer's risk profile.
- Each product of service is assigned to the right market, not only for legal or tax reasons, but also to meet the market's financial culture.
- The products and services fulfil the requirements of the corporate marketing policies and, in general, the applicable internal and external rules.

At the local level, local marketing committees (LCM) are established, which channel toward the CCM proposals to approve new products –after a favorable opinion has been issued as initially they do not have powers delegated in them– and approve products that are not new and their marketing campaigns.

The marketing committees, in the respective approval processes, take a risk-focused stance from the double perspective of bank/client.

The global consultative committee (GCC) is the advisory body of the corporate marketing committee and consists of representatives of the areas that provide a view of regulatory and market risk. The GCC, which meets around every three months, can recommend a review of products that are affected by changes in markets, deterioration of solvency (country, sectors or companies) or by changes in the Group's view of the markets in the medium- and long- term.

The corporate monitoring committee (CMC) is the Group's decision-making body for the monitoring of products and services. It is chaired by the secretary general and has representatives from internal auditing, legal advice, compliance, customer attention and the business areas affected (permanent representation of the retail network). It meets every week to raise and resolve specific issues related to the marketing of products and services at the local level as well as by the Group's units abroad.

The corporate office of reputational risk management (CORRM) provides the governance bodies with the information needed for: (i) adequate analysis of risk in approvals, from the standpoint of the Bank and the impact on the client; and (ii) monitoring of products throughout their life cycle.

At the local level there are reputational risk management offices, which are responsible for promoting the risk culture and ensuring that approval and monitoring of products is developed in their respective local sphere in line with the corporate guidelines.

**Main actions**

The CCM met 12 times in 2013 (14 in 2012 and 19 in 2011) and analysed 151 new products/services. The corporate office of reputational risk was presented with 54 products/services considered not new for approval and resolved 167 consultations from areas and countries. The GCC held two meetings (3 in 2012 and 3 in 2011).

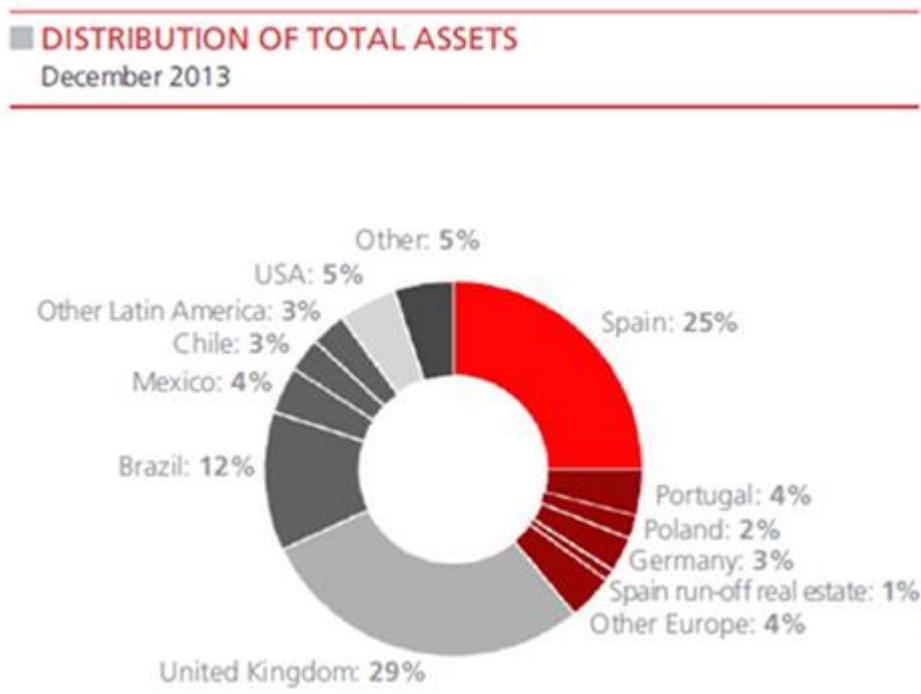
Monitoring of products and services approved is done locally (local committee of monitoring of products or equivalent local body, such as the LCM). The conclusions are set out in reports every four months for the CORRM, which prepares integrated reports on all the Group’s monitoring for the CMC.

The CMC held 41 meetings in 2013 (44 in 2012 and 42 in 2011) 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.

**Principal Markets**

The Group has a geographic diversification balanced between mature and emerging markets (47% and 53% of profits, respectively, in 2013). The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the UK, Brazil, Mexico, Chile, Argentina and the US. It also has significant market shares in Uruguay and Puerto Rico, consumer finance businesses in other European countries and a presence in China through wholesale banking and consumer finance.

The global business areas develop products that are distributed in the Group’s retail networks and provide services to clients globally.



**5.2 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 2013 of 712 companies that consolidate by the global integration method. In addition, there are 191 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 2013.

## 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. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; be readily understandable by investors; be specific and precise; and not relate to the general accuracy of the estimates underlying the forecast.*

Not applicable.

### 8.2 *Any profit forecast set out in the registration document must be accompanied by a statement confirming that the said forecast has been properly prepared on the basis stated and that the basis of accounting is consistent with the accounting policies of the issuer.*

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 By-laws 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.

<i>Board of directors</i>	Executive committee	Risk committee	Audit committee	Appointment and remuneration committee	Risk supervision, regulation and compliance committee	International committee	Technology, productivity and quality committee	Executive	Non-executive	Date of first appointment
Chairman Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	C					C	C			04.07.1960
Chief executive officer Mr. Javier Marín Romano										29.04.2013
First vice-chairman Mr. Fernando de Asúa Álvarez		V		C					I	17.04.1999
Second vice-chairman Mr. Matías Rodríguez Inciarte		C								07.10.1988
Third vice-chairman Mr. Guillermo de la Dehesa Romero			C						I	24.06.2002
<b>Members</b>										
Ms. Sheila C. Bair									I	27.01.2014
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea										04.02.1989
Mr. Javier Botín-Sanz de Sautuola y O'Shea <sup>(1)</sup>									P	25.07.2004
Mr. Vittorio Corbo Lioi									E	22.07.2011
Mr. Rodrigo Echenique Gordillo									E	07.10.1988
Ms. Esther Giménez-Salinas i Colomer									I	30.03.2012
Mr. Ángel Jado Becerro de Bengoa									I	11.06.2010
Mr. Abel Matutes Juan									I	24.06.2002
Mr. Juan Rodríguez Inciarte										24.03.2008
Ms. Isabel Tocino Biscarolasaga									I	26.03.2007
Mr. Juan Miguel Villar Mir									I	07.05.2013

General secretary and of the board Mr. Ignacio Benjumea Cabeza de Vaca (2)									
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**C: Chairman V: Vice-chairman P: Proprietary I: Independent E: External, neither proprietary nor independent**

(1) Mr. Javier Botín-Sanz de Sautuola y O'Shea is an external proprietary director representing in the board of directors the capital stock corresponding to the Fundación Botín, Bafimar, S.L., Cronje, S.L., Puente de San Miguel, S.L.U., Inversiones Zulú, S.L. Latimer Inversiones, S.L., Nueva Azil, S.L., Agropecuaria El Castaño S.L.U., 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) Not director.

### Principal Activities Outside the Guarantor

	Company Name	Functions
Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	Santander Investment, S.A.	Chairman
	Portal Universia, S.A.	Chairman
Mr. Javier Marín Romano	Allfunds Bank, S.A.	Director
	Santander Investment, S.A.	Vice Chairman
Mr. Fernando de Asúa Álvarez	Técnicas Reunidas, S.A.	Vice Chairman
	Constructora Inmobiliaria Urbanizadora Vasco-Aragonesa, S.A.	Director
Mr. Matías Rodríguez Inciarte	UCI, S.A.	Chairman
	Financiera El Corte Inglés, EFC,	Director
	S.A. Operador del Mercado Ibérico de Energía	Director
	Polo Español, S.A.	Director
	Sanitas, S.A. de Seguros	Director
Mr. Guillermo de la Dehesa Romero	Financiera Poferrada, S.A., SICAV	Director
	Aviva Grupo Corporativo, S.L.	Chairman
	Aviva Vida y Pensiones, S.A. de Seguros y Reaseguros	Chairman
	Amadeus IT Holding, S.A.	Vice Chairman
	Campofrío Food Group, S.A.	Director
Ms. Sheila C. Bair	Grupo Empresarial San José, S.A.	Director
	Host Hotels & Resorts, Inc	Director
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	Thomson Reuters Corporation	Director
	Ingeniería de Software Bancario, S.L.	Chairwoman
	Santander UK PLC	Chief Executive Officer
Mr. Javier Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	Director
	JB Capital Markets, Sociedad de Valores, S.A.	Chairman and Chief Executive Officer
Mr. Vittorio Corbo Lioi	Inversiones Zulú, S.L.	Chairman
	Banco Santander-Chile, S.A.	Chairman
	Compañía de Seguros SURA-Chile S.A.	Chairman

	<b>Company Name</b>	<b>Functions</b>
	Banco Santander (México), S.A. Grupo Financiero Santander México, S.A.B. de C.V. CCU, S.A. Endesa Chile	Director Director Director Director
Mr. Rodrigo Echenique Gordillo	NH Hoteles, S.A. Vocento, S.A. Allfunds Bank, S.A. Santander Investment, S.A. Banco Santander International Industria de Diseño Textil, S.A.	Chairman Chairman Chairman Director Director Director
Ms. Esther Giménez-Salinas i Colomer	Gawa Capital Partners, S.L.	Director
Mr. Ángel Jado Becerro de Bengoa	Cartera Mobiliaria, S.A., SICAV	Director
Mr. Abel Matutes Juan	Grupo de Empresas Matutes Globalia Corporación Empresarial, S.A. Air Europa Líneas Aéreas, S.A.	Chairman Director Director
Mr. Juan Rodríguez Inciarte	Santander UK Santander Consumer Finance, S.A. SAM Investment Holdings Limited Saarema Inversiones, S.A. Saarema Sociedad Promotora de Centros Residenciales, S.L. JCF Services, Co LLC	Vice Chairman  Director Director Director Director Asesor
Ms. Isabel Tocino Biscarolasaga	ENCE Energía y Celulosa, S.A. Enagás, S.A. Kiluva, S.A. Diagonalgest, S.L.	Director Director Director Director
Mr. Juan Miguel Villar Mir	Grupo OHL Grupo Villar Mir Abertis Infraestructuras, S.A. Inmobiliaria Colonial, S.A. Compañía Agrícola Inmobiliaria Zaragoza Caiz, S.L.	Chairman Chairman Vice Chairman Vice Chairman Director

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.***

With regard to situations of conflict of interest, as stipulated in Article 30 of the Rules and Regulations of the Board, the directors must notify the Board of any direct or indirect conflict with the interests of the Bank in which they may be involved. If the conflict arises from a transaction, the director shall not be allowed to conduct it unless the Board, following a report from the appointments and remuneration committee, approves such transaction.

The director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers.

In the case of directors, the body responsible for resolving conflicts of interest is the Board of directors itself.

In 2013, on the occasions listed below, certain directors abstained from participating in and voting on the deliberations of the meetings of the Board of directors and its committees.

- The Board, without the involvement of the interested party, following a report by the appointments and remuneration committee, authorised the purchase on an arm's-length basis of shares representing up to 0.25% of the Bank's share capital by Espacio Activos Financieros, S.L.U., a company controlled indirectly by Mr. Juan Miguel Villar Mir.
- Also, 29 occasions involved proposals for the appointment or re-election of directors; 26 occasions related to the approval of remuneration conditions, and other terms and conditions of the directors' contracts, including the authorisation of the financing policy for executive directors; 18 occasions referred to the procedure required of the Bank, as a credit institution, to assess the suitability of the members of the Board of directors and the holders of key functions, pursuant to Royal Decree 1245/1995, as worded in Royal Decree 256/2013; on 18 occasions the subject of debate were proposals to provide funding or guarantees for companies related to various directors; on five occasions the abstention occurred in connection with the annual verification of the directors' status which, pursuant to Article 6.3 of the Rules and Regulations of the Board, the appointments and remuneration committee performed at its meeting of 13 February 2013; two occasions involved proposals for the appointment of two independent directors to positions at the Banco Santander Foundation and one related to the appointment of a relative of an executive director as a Board member of a Group subsidiary; one occasion involved the approval of a contribution to a foundation chaired by a director; and a further three occasions involved the placing on record in the minutes the gratitude for the work performed by a director.
- Lastly, Lord Burns abstained from participating in the resolutions adopted by the Board in relation to his resignation as director with effect from 31 December 2013, and his appointment as a member of the international advisory Board as from 1 January 2014.

## 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 2013, 1.666% 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. Otherwise, the following information must be included in the registration document:***

- (a) a prominent statement that the financial information included in the registration document has not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 and that there may be material differences in the financial information had Regulation (EC) No 1606/2002 been applied to the historical financial information
- (b) (immediately following the historical financial information a narrative description of the differences between the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 and the accounting principles adopted by the issuer in preparing its annual 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 audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:

- (c) the balance sheet;
- (d) the income statement;
- (e) 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. Otherwise, the following information must be included in the registration document:*

- a) a prominent statement disclosing which auditing standards have been applied;*
- b) an explanation of any significant departures from International Standards on Auditing.*

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 the consolidated annual financial statements are incorporated by reference under paragraph 1 of "Documents Incorporated by Reference".

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2013 and 2012 financial years were audited by the independent audit firm Deloitte, S.L. There are no qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2013 and 2012 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 2014 have been incorporated by reference under paragraph 2 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 2012 and 2013 financial years were audited by the independent audit firm Deloitte, S.L.

There are no qualifications of the auditors in relation to the individual and consolidated 2012 and 2013 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 years 2013 and 2012, were obtained from the Guarantor's 2013 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 financial information relating to the Group contained in paragraph 5.1.1 above is audited and was obtained from the Guarantor's 2013 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 2013.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2013 and 31 December 2012 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 2013.

**11.5 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**

At 31 December 2013, the main tax-related proceedings concerning the Group were as follows:

- Legal actions filed by 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, a provision having been recognised for the amount of the estimated loss.
- Legal actions 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. No provision was recognised in connection with the amount considered to be a contingent liability.
- Legal actions 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 legal action was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007 the Federal Regional Court found in favour 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 favour, 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. Law 12,865/2013 established a programme of payments or deferrals of certain tax and social security debts, exempting the entities availing themselves of the Law from paying late-payment interest and resulting in the legal actions brought being withdrawn. In November 2013 Banco Santander (Brasil) S.A. partially availed itself of this programme but only with respect to the legal actions brought by the former Banco ABN AMRO Real, S.A. in relation to the period from September 2006 to April 2009, and with respect to other minor actions brought by other entities in its Group. However, the legal actions brought by Banco Santander (Brasil), S.A. and those of Banco ABN AMRO Real, S.A. relating to the periods prior to September 2006, for which the estimated loss was provided for, still subsist.
- 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. No provision was recognised in connection with the amount considered to be a contingent liability.
- 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. No provision was recognised in connection with the amount considered to be a contingent liability.
- 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. No provision was recognised in connection with the amount considered to be a contingent liability.

- 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 Banco Santander (Brasil), S.A. 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 in relation to this same matter for 2005 to 2007. Banco Santander (Brasil), S.A. filed an appeal against these procedures at CARF, which was partially dismissed on 8 October 2013. This decision will be appealed at the higher instance of CARF (Tax Appeal High Chamber). In December 2013 the Brazilian tax authorities issued the infringement notice relating to 2008, the last year for amortisation of the goodwill. This infringement notice will be appealed by Banco Santander (Brasil), S.A. Based on the advice of its external legal counsel and in view of the first decision by CARF, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defence arguments to appeal against the infringement notices. 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 favourable decision and Banco Santander Brasil, S.A. an unfavourable 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, on 24 August 2012, it was notified of a decision overturning the previous favourable judgment and lodged an appeal at the Higher Chamber of CARF on 29 August 2012. In the opinion of its legal advisors, the Group considers that the tax treatment applied in these transactions was correct. No provision was recognised in the consolidated financial statements in relation to this litigation as it was considered a contingent liability.
- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros, S.A., as the successor by merger to ABN AMRO Brazil Dois Participações, S.A., in relation to income tax (IRPJ and CSL) 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 bank filed an appeal for reconsideration against this 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. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- Also, in December 2010, 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 bank filed an appeal for reconsideration against this infringement notice. On 23 November 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. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- In June 2013, the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil), S.A. as the party liable for tax on the capital gain allegedly obtained in Brazil by the entity not resident in Brazil, Sterrebeeck B.V., as a result of the “incorporação de

ações” (merger of shares) transaction carried out in August 2008. As a result of the aforementioned transaction, Banco Santander (Brasil), S.A. acquired all of the shares of Banco ABN AMRO Real, S.A. and ABN AMRO Brasil Dois Participações, S.A. through the delivery to these entities' shareholders of newly issued shares of Banco Santander (Brasil), S.A., issued in a capital increase carried out for that purpose. The Brazilian tax authorities take the view that in the aforementioned transaction Sterrebeeck B.V. obtained income subject to tax in Brazil consisting of the difference between the issue value of the shares of Banco Santander (Brasil), S.A. that were received and the acquisition cost of the shares delivered in the exchange. The Group lodged an appeal against the infringement notice at the Federal Tax Office and considers, based on the advice of its external legal counsel, that the stance taken by the Brazilian tax authorities is not correct, that there are sound defence arguments to appeal against the infringement notice and that, therefore, the risk of loss is remote. Consequently, the Group has not recognised any provisions in connection with these proceedings because this matter should not affect the consolidated financial statements.

- 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. considers that, in accordance with applicable tax legislation, it is entitled to recognise the aforementioned tax credits as well as the related issuance and financing costs. In addition, if the outcome of this legal action is favourable 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. In 2013 the US courts found against two taxpayers in cases with a similar structure. In the case of Santander Holdings USA, Inc. the proceeding was scheduled for 7 October 2013, although it was adjourned indefinitely when the judge found in favour of Santander Holdings USA, Inc. with respect to one of the main grounds of the case. Santander Holdings USA, Inc. is expecting the judge to rule in coming months on whether his previous decision will result in the proceedings being stayed in the case or whether other matters need to be analysed before a final decision may be handed down. If the decision is favourable to Santander Holdings USA, Inc.'s interests, the US government has stated its intention to appeal against it. The estimated loss relating to this proceeding was provided for.

At the date of approval of these consolidated annual financial statements certain other less significant tax-related proceedings were also in progress.

#### **Non-tax-related proceedings**

At 31 December 2013, 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 ('PPI') provisions balances, including related costs, amounted to £137m (31 December 2013: £165m), and no additional provisions were made in Q1'14.

The number of complaints the Group received remained in line with Q4'13, which was impacted by a seasonal drop-off. The high proportion of invalid complaints has continued. Monthly redress costs decreased to an average of £10m per month in Q1'14, compared to a monthly average of £11m per month for Q4'13 and £18m per month in 2013.

- Proceeding under Criminal 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 EUR 51 million 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 EUR 0.4 million.

Galesa de Promociones, S.A. filed a cassation appeal against the above decision at the Supreme Court. The appeal was dismissed in a Supreme Court judgment dated 17 July 2013, against which the appellant has filed a motion for annulment, which was rejected. The Bank has not recognised a provision in this connection.

- After the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, on 8 September 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 EUR 66 million that the latter owes it as a result of the declaration on 4 January 2008 of the early termination by the Bank of all the financial transactions agreed upon between the parties.

On 3 August 2012, Delforca 2008, S.A. was declared to be in a position of voluntary insolvency by Barcelona Commercial Court no. 10, which had agreed as part of the insolvency proceeding to stay the arbitration proceeding and the effects of the arbitration agreement entered into by Banco Santander, S.A. and Delforca 2008, S.A. The Bank filed an appeal against this decision, which was dismissed and it then proceeded to prepare a challenge with a view to filing a future appeal. The Arbitration Court, in compliance with the decision of the Commercial Court, agreed on 20 January 2013 to stay the arbitration proceedings at the stage reached at that date until a decision could 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 recognised as a contingent ordinary claim without specified amount. However, 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 claim on which a decision has not yet been handed down. In this ancillary claim (still in progress), Delforca 2008, S.A. and the insolvency manager are seeking to obtain a decision from the Court on the merits of the dispute between Banco Santander, S.A. and Delforca 2008, S.A. and, accordingly, Banco Santander, S.A. has appealed against the interlocutory order that admitted for consideration the evidence proposed by them. The appeal was not given leave to proceed and Banco Santander has prepared the corresponding protest.

As part of the same insolvency proceeding, Delforca 2008, S.A. has filed another ancillary claim requesting the termination of the arbitration agreement included in the framework financial transactions agreement entered into by that party and Banco Santander, S.A. in 1998, as well as the termination of the obligation that allegedly binds the insolvent party to the High Council of Chambers of Commerce (Spanish Arbitration Court). Banco Santander, S.A. filed its reply to the complaint on 21 June 2013, although it has repeatedly questioned the court's objective jurisdiction to hear the complaint, as has the High Council of Chambers of Commerce, Industry and Shipping. The Commercial Court dismissed the motions for declinatory exception filed by Banco Santander and also dismissed the motion for declinatory exception filed by the High Council. These decisions have been appealed.

On 30 December 2013, Banco Santander filed a complaint requesting the termination of the insolvency proceeding of Delforca 2008, S.A. due to supervening disappearance of the alleged insolvency of the company, which was rejected on 30 June 2014. The Bank filed an objection due to future appeal.

In addition, in April 2009 Mobilaria Monesa, S.A. (parent of Delforca 2008, S.A.) filed a claim against Banco Santander, S.A. at Santander Court of First Instance no. 5, claiming damages which it says it incurred as a result of the (in its opinion) unwarranted claim filed by the Bank against its subsidiary, reproducing the same objections as Delforca 2008, S.A. This proceeding has currently been stayed on preliminary civil ruling grounds, against which Mobilaria Monesa, S.A. filed an appeal which was dismissed by the Cantabria Provincial Appellate Court in a judgment dated 16 January 2014.

Lastly, on 11 April 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 sought indemnification for the damage and losses it alleges it incurred due to the (in its opinion) unwarranted claim by the Bank. Delforca 2008, S.A. made the request in a counterclaim filed in the arbitration proceeding that concluded with the annulled award, putting the figure at up to EUR 218 million, although in its present claim it invokes Article 219.3 of the Civil Procedure Law in order to leave for a subsequent proceeding the amount to be settled (as the case may be) by the Bank. The aforementioned Court has dismissed the motion for declinatory exception proposed by Banco Santander, S.A. as the matter has been referred for arbitration. This decision has been confirmed by the Madrid Appellate Court. The Group considers that the risk of loss arising as a result of these matters is remote and, accordingly, it has not recognised 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 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 Employment Court ordered the bank to pay this half-yearly bonus in September 2005 and the bank filed an appeal against the decision at the High Employment Court ("TST") and, subsequently, at the Federal Supreme Court ("STF"). The TST confirmed the judgment against the bank, whereas the STF rejected the extraordinary appeal filed by the bank in a decision adopted by only one of the Court members, thereby also upholding the order issued to the bank. This decision was appealed by the bank and the association. Only the appeal lodged by the bank has been given leave to proceed and will be decided upon by the STF in plenary session.
- "Planos economicos": Like the rest of the banking system, Santander Brazil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason, arising from a series of legislative changes relating to the calculation of inflation ("planos economicos"). The claimants considered that their vested rights had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice ("STJ") 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 probably significantly reduce the number of actions brought 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 STJ and the Supreme Federal Court ("STF") with which the matter is expected to be definitively settled. In August 2010, STJ handed down a decision finding for the plaintiffs in terms of substance, but excluding one of the "planos" from the claim, thereby reducing the amount thereof, and once again confirming the five-year statute of limitations period. Shortly thereafter, the STF issued an injunctive relief order whereby the proceedings in progress in this connection were stayed until this court issues a final decision on the matter, which could take place in February 2014.
- Proceeding under Criminal 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 USD 150 million in principal plus USD 4.7 million in interest, upon alleged termination of an escrow contract.

The court upheld the claim but did not make a specific pronouncement on costs. A judgment handed down by the Madrid Provincial Appellate Court on 9 October 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 28 December 2012. An appeal was filed at the Supreme Court by Banco Occidental de Descuento against the Madrid Provincial Appellate Court decision. The Bank has challenged the appeal. The Bank has not recognised any provisions in this connection.

- 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 EUR 32 million in principal and EUR 2.7 million 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. In a judgment dated 13 November 2013, the Court dismissed the complaint in full. The judgment has been appealed by the complainants.
- 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.

At the date of these notes to the consolidated financial statements, 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 and, as a result, no provisions needed to be recognised in this connection.

- 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 Optimal Strategic US Equity ("Optimal Strategic") subfund was EUR 2,330 million, of which EUR 2,010 million related to institutional investors and international private banking customers, and the remaining EUR 320 million made up the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

At the date of these notes to the consolidated financial statements, 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 a specific case in which the decisions handed down partially upheld the claim based on the particular circumstances of that case (which has been appealed against by the Bank), the risk of loss is considered to be remote. Accordingly, it was not necessary to recognise any provisions in this connection.

- At the end of the first quarter of 2013, news stories were published stating that the public sector was debating the validity of the interest rate swaps arranged between various financial institutions and public sector companies in Portugal, particularly in the public transport industry.

The swaps under debate included swaps arranged by Banco Santander Totta with the public companies Metropolitano de Lisboa, E.P.E. (MdL), Metro de Porto, S.A. (MdP), Sociedade de Transportes Colectivos do Porto, S.A. (STCP) and Companhia Carris de Ferro de Lisboa, S.A. (Carris). These swaps were arranged prior to 2008, i.e. before the start of the financial crisis, and had been executed without incident.

In view of this situation Banco Santander Totta took the initiative to request a court judgment on the validity of the swaps in the jurisdiction of the United Kingdom to which the swaps are subject. The corresponding claims were filed in May 2013.

After the Bank had filed the claims, the four companies (MdL, MdP, STCP and Carris) notified Banco Santander Totta that they were suspending payment of the amounts owed under the swaps until a final decision had been handed down in the UK jurisdiction in the proceedings. MdL, MdP and Carris suspended payment in September 2013 and STCP did the same in December 2013.

Consequently, Banco Santander Totta extended each of the claims to include the unpaid amounts.

On 29 November 2013, the companies presented their defence in which they claimed that the swaps were null and void under Portuguese law and, accordingly, that they should be refunded the amounts paid.

On 14 February 2014, Banco Santander Totta presented its replies and defences to counterclaims, restating its case and denying the companies' arguments, as set out in their 29 November defences. On 4 April 2014, the companies submitted their replies to the defences to counterclaims. On 16 May 2014 took place the preliminary hearing. These proceedings are still in progress.

The Bank and its legal advisers consider that the Bank acted at all times in accordance with applicable legislation and under the terms of the swaps, and take the view that the UK courts will confirm the full validity and effectiveness of the swaps. As a result, the Bank has not recognised any provisions in this connection.

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 31 December 2013, 2012 and 2011, it had reliably estimated the obligations associated with each proceeding and had recognised, 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.

### **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.

- 11.6 **Significant change in the guarantor's financial 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 position of the Santander Group (including the Guarantor) since 31 March 2014 (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 2014.

## 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 Principal 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 shall be published on electronic form (pdf copies) on the website of Banco Santander ([www.bancosantander.com](http://www.bancosantander.com)). Each of the Final Terms shall be published on electronic form (pdf copies) on the website of the Irish Stock Exchange ([www.ise.ie](http://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 of 1986 and regulations promulgated 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 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 – 2014 (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 2013 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. In particular prospective investors or beneficial owners of the Notes are advised to monitor the development of the tax reform announced in Spain considering the recently published draft bill for the law on ordination, supervision and solvency of credit institutions regulating the tax treatment applicable to securities.*

### 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, Law 22/2013 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 (...)<sup>(1)</sup>, en nombre y representación de (entidad declarante), con número de identificación fiscal (...)<sup>(1)</sup> y domicilio en (...) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number (...)<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number (...)<sup>(1)</sup> 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 en .....a .... de .....de ....**

I declare the above in ..... on the... of ..... of ....

**<sup>(1)</sup>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**

<sup>(1)</sup>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.

In addition, provided that the Notes are quoted Eurobonds and are exempt from withholding tax as set out above, the interest on the Notes will be exempt from Irish income tax if the recipient of the interest is (i) a company under the control, directly or indirectly, of persons who by virtue of the law of a relevant territory are resident in that country and that person or persons are not themselves under the control whether directly or indirectly of a person who is not resident in such a country, or (ii) a company, the principal class of shares of such company, or another company of which the recipient company is a 75% subsidiary, is substantially and regularly traded on one or more recognised stock exchanges in Ireland or a relevant territory or a stock exchange approved by the Irish Minister for Finance.

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 disposer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disposer 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 disposer 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 Tax Directive**

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

### **Hiring Incentives to Restore Employment Act**

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service (the "**IRS**"). A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed United States Treasury Regulations expand the scope of withholding under Section 871(m) beginning 1 January 2016.

While significant aspects of the application of Section 871(m) to the Notes are uncertain, if the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United

States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI and the Guarantor is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final United States Treasury Regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date, and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States has entered into agreements with Ireland (the "**U.S.-Ireland IGA**") and Spain (the "**U.S.-Spain IGA**") based largely on the Model 1 IGA.

If the Issuer and Guarantor are treated as Reporting FIs pursuant to the U.S.-Ireland and U.S.-Spain IGA, as applicable, they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and Guarantor will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuer, the Guarantor and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any paying agent and the common depository or common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Notes.**

## 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 2014 and by an authorisation of the executive committee of the Guarantor on 7 July 2014.
3. In the case of any Tranche of Notes having a maturity of more than 365 days, each permanent or definitive 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 2013 in the case of the Guarantor and the Guarantor's subsidiaries, and since 31 December 2013 in the case of the Issuer, there has been no material adverse change in the financial position or prospects.
6. Since 31 March 2014 in the case of the Guarantor and the Guarantor's subsidiaries, and since 31 December 2013 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 2013 and 2012;
  - (viii) the unaudited consolidated interim financial statements for the Guarantor for the three month period ended 31 March 2014;
  - (ix) the annual report of the Issuer for the years ended 31 December 2012 and 2011;
  - (x) the 2014 Supplement, the 2013 Supplement, the July 2013 Conditions, the March 2013 Conditions, the 2012 Conditions, 2011 Conditions, 2010 Conditions, 2009 Conditions, 2008 Conditions, 2007 Conditions and 2006 Conditions, as defined above;
  - (xi) Applicable Transaction Terms relating to Notes issued under the Programme;
  - (xii) a copy of this Offering Circular together with any Supplement to this Offering Circular or further Offering Circular;
  - (xiii) 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
  - (xiv) 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 2013 and 2012 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 2013 and 2012 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.
15. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer or the Guarantor routinely hedge their credit exposure to the Issuer or the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUER**

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Banco Santander, S.A.  
Ciudad Grupo Santander  
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**ARRANGER AND DEALER**

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## DEALERS

### **Citigroup Global Markets Limited**

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### **Morgan Stanley & Co. International plc**

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### **The Bank of New York Mellon**

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*To the Issuer as to Irish law*

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